

Bill Would Allow Business Cover for U.S. Military Spies

By George Lardner Jr.
Washington Post Service

WASHINGTON — The Defense Department is planning to let its military intelligence officers trade in their uniforms for undercover roles as businessmen in search of profits abroad.

The Senate Select Committee on Intelligence has approved legislation that would allow the Pentagon "to engage in commercial activities" to provide security for intelligence gathering overseas.

The Bush and Reagan administrations have been seeking commercial cover for military spies for the past five or six years, according to committee officials. This year, "there is a legitimate, albeit limited, need for such authority," the Senate panel said in a report on the 1991 intelligence-authorization bill.

A committee spokesman said the military services, primarily the army's Intelligence and Security Command, want to enter the business world.

Under the bill, either the secretary of defense or the deputy secretary of defense — but not one else — could order the creation of corporations, partnerships or other legal, money-making entities whose real purpose would be intelligence or counterintelligence activities abroad.

The businesses would be exempt from federal laws and regulations that might be inconsistent with or that might compromise the operation.

The CIA and the FBI already have authority to establish commercial-cover arrangements, as the Senate panel puts it, "to conduct security services of foreign governments that may be hostile to the United States."

Defense Department intelligence officers are rarely placed in situations that require them to pose as businessmen, the committee said, but occasionally their duties require it "when essential intelligence requirements cannot be met."

Having commercial cover "should permit greater access to essential information," the committee said.

The Senate panel's general counsel, L. Britt Snider, said there was

no law prohibiting military intelligence officers from pretending to be businessmen, "but the problem is there is nothing to backstop them," no legally organized front company they can call their own.

Under the Senate bill the director of central intelligence would be able to veto such undertakings if he decides they would conflict with other U.S. intelligence or foreign-policy objectives "or if he does not consider them operationally sound."

In addition, the FBI director could disapprove any of the Pentagon's undercover business activities within the United States.

The law would allow those in charge of the commercial operations to engage in domestic activities only to the extent necessary to support intelligence activities abroad. But activities here could range from incorporation of a company to setting up U.S. offices of the firm to joining various trade and business organizations.

The Senate committee said it was aware that commercial-cover operations, "could, if not adequately coordinated and regulated, lead to abuses and improprieties" or to situations "politically embarrassing to the United States."

But the report said such problems had come up only rarely at the FBI and the CIA, and that the approval and oversight provisions of the bill should provide adequate safeguards.

The report said the secretary of defense would be expected to give the House and Senate intelligence panels advance notice of the creation of any business entity, of any expected financial transactions with a value of more than \$100,000, and of any projected intelligence operation "with a high risk of exposure."

The defense secretary will also be required to provide for frequent audits and inspections and to submit to Congress each Nov. 1 an annual report describing all commercial activities of the past year as well as the expenditure of any appropriated or nonappropriated funds.

The businesses will be allowed to make enough money to offset expenses, but any income beyond that is to be deposited in the U.S. Treasury.



STRUGGLE OVER BLOCKADE — Residents of Chateaugay, Quebec, upset over the blockade of a bridge into Montreal, struggling with police officers over barricades erected by the police. Mohawk Indians have blocked the bridge in support of Mohawks in nearby Oka, who have been in a standoff with provincial police over a land dispute. Tribal chiefs from across Canada gathered for an emergency meeting and one warned of "devastating action" unless the government intervened in the dispute.

Homicide Rates Soaring in Big Cities

By Michael deCourcy Hinds
New York Times Service

PHILADELPHIA — After an alarming increase last year, U.S. homicide rates have continued to soar, and experts attribute the rise to an increase in drug disputes, deadlier weapons and a tendency among more young people to start careers in crime with a gun.

There are no national statistics as yet for killings in the first half of 1990, but police departments in more than a dozen major cities report increases ranging from 10 percent to more than 50 percent.

New York, with a 1989 record of 1,905 killings, reported a 22 percent increase in the homicide rate in the first three months of 1990 — 45 percent when the 87 arson deaths at a Bronx social club are included.

In Boston, murders are up 56 percent after a 5 percent increase for 1989. In Philadelphia, the rate has risen 19 percent after a 21 percent increase last year; in Milwaukee it is up 25 percent after a 35 percent surge in 1989.

The statistics have alarmed police and prosecutors across the country.

"Our homicide rate is going through the roof," said Ronald D. Castille, the Philadelphia district attorney. "It's just a hail of bullets out there on the streets. Three weekends ago, 11 people were killed in a 48-hour period. What's causing most of the increase," he said, "is the ready availability of powerful handguns and the effects of drugs on human beings."

Crime specialists and gun-control advocates say that a ban on assault rifles included in the crime bill the Senate passed last week would have no immediate effect on the murder rate even if immediately enacted. They say too many people already have the weapons.

A New York Times survey showed that all but 5 of 22 major cities reported homicide increases in the first half of 1990 over the same period in 1989. It suggests that the nation's murder rate is continuing its upsurge and that the number of victims may even surpass the record year of 1980, when 23,040 people were slain.

Among the 22 cities, Chicago recorded a 14 percent increase this year after a 12 percent increase in 1989; in June alone, Chicago had a record-breaking 83 killings. Seattle reported a 75 percent increase after the rate fell 32 percent in 1989. But in Washington, which for the past two years has led the nation in homicides, the murder rate increased only 1 percent, after an 18 percent rise in 1989.

The nationwide increases reflect a generally worsening crime situation, FBI statistics show.

Last year, the bureau reported that violent crimes increased by 5 percent nationally and homicides by 4 percent, while in cities with populations over 1 million violent crime increased by 6 percent and homicides by 7 percent — the steepest increases for such cities since 1985.

The five surveyed cities whose murder rates are lower than in 1989 are Atlanta; Cleveland; Miami; Portland, Oregon; and Tucson, Arizona. Of the five, only Miami also had a decline last year.

Cocaine Price Rise Encourages U.S. 2d Defendant Said to Admit Jogger Attack

By Michael Isikoff
Washington Post Service

WASHINGTON — Wholesale cocaine prices have jumped to their highest levels since the mid-1980s while purity of street cocaine has dropped sharply, signs that law enforcement efforts may be starting to disrupt the flow of cocaine into the United States, according to a new Drug Enforcement Administration analysis.

A nationwide survey of the agency's field offices, completed in late June, indicated a shortage of wholesale cocaine in major distribution cities such as Los Angeles, New York and Houston.

In those cities, undercover agents paid as much as \$35,000 for one kilogram (2.2 pounds) of cocaine in late June, more than 50 percent higher than last year.

The cocaine's purity has also declined, from about 70 percent pure two years ago to 55 percent today, the analysis said.

The trend is starting to show up "pretty much all over the country," Ronald Caffrey, the agency's deputy administrator for operations, told the Senate Judiciary Committee on Tuesday.

Mr. Caffrey cautioned that some of these changes reflect deliberate cocaine stockpiling by Colombian and Mexican traffickers trying to drive up prices and increase their profits. In addition, he said, wholesalers may be cashing in on street-level fears of a shortage.

"We have not deluded ourselves into thinking that the cocaine threat has subsided," Mr. Caffrey said.

It is also unclear how far along the distribution chain the trend toward higher prices has reached. In the Washington area, wholesale cocaine prices have climbed in recent months to as high as \$40,000 a kilogram, almost double that of last year, said Peter Gruen, agent in charge of the drug agency's Washington field office.

But street prices have not risen, according to the Washington Police Department.

Joseph R. Biden Jr., chairman of the Senate Judiciary Committee, noted that the higher cocaine prices are still only about half the 1980 levels.

Nevertheless, the new data are the latest in a number of indications that the surge in cocaine abuse that began in the early 1980s has started to abate.

Recent federal surveys have shown declines in the total number of cocaine users, while cocaine-related hospital emergency room admissions dropped 22 percent in the last three months of 1989.

Officials acknowledge they have no clear theory to explain why this is happening. Mr. Caffrey suggested that intensified enforcement actions in Latin America had disrupted operations and purchase arrangements of the major drug networks.

Said to Admit Jogger Attack

New York Times Service

NEW YORK — One of three defendants charged in the rape and attempted murder of a jogger in Central Park admitted his part in the attack, a New York City Police detective has testified.

The detective, Humberto Arroyo, said that Raymond Santana, 16, at first admitted only taking part in attacks on male joggers during what the defendants called a "wilding" in the northern end of the park on April 19, 1989.

But after being pressed, Mr. Santana admitted his statement, detailing the attack on the woman, the detective said in testimony Tuesday.

Mr. Arroyo said the defendant signed a statement, in which he admitted assaulting the victim, in the presence of his father and grandmother.

"I saw they were struggling with a woman, and Kevin tripped her with his leg," the detective quoted Mr. Santana as saying, referring to Kevin Richardson, 15, who will be tried later along with Steven Lopez, 16, and Kharey Wise, 17.

The incriminating statement was the second the jury has heard since the trial began four weeks ago. Last week another detective testified that Antron McCray, 16, who is being tried with Mr. Santana and Yusuf Salaam, 16, also made a statement detailing his part in the attack.

The prosecution has said that Mr. Santana made a second written statement to another detective in which he gave a more graphic account of the attack on the woman as well as a videotaped statement.

The woman testified on Monday. She said she had no memory of the attack and could not identify her assailants.

SAFIRE
IN THE HOT EVERY MONDAY — IN DEFENSE OF THE ENGLISH LANGUAGE AND ITS PROPER USAGE

SDI Is Called Too Risky For Bush to Say 'Go'

By R. Jeffrey Smith
Washington Post Service

WASHINGTON — The Strategic Defense Initiative program remains beset by so much scientific uncertainty that President George Bush should drop his plan to decide by early 1993 on whether to deploy the space weaponry, according to an independent congressional study released Wednesday night.

The General Accounting Office concluded after an 11-month study that several hurdles would prevent SDI managers from giving competent technical advice to Mr. Bush within two and half years, making any decision by 1993 to proceed with deployment "premature and fraught with high risk."

The report said the Strategic Defense Initiative Organization, attached to the Defense Department, "will not be able to support an informed decision to deploy" the weapons system because of a recent redesign, insufficient testing and evaluation, and inadequate congressional funding.

It said, however, that the organization "may be able to justify a decision to delay or cancel phase 1" of the space-based system of defenses against Soviet missiles by early 1993.

During the presidential campaign and in a June 1989 White House directive to the Pentagon, Mr. Bush said he wanted to make a deployment decision during his first term in office, which ends in January 1993.

At that time, SDI managers were planning to build a much more complicated and costly system than is now favored.

But the General Accounting Office report suggests that by scaling the system back earlier this year in an effort to cut costs and simplify development, the SDI office has introduced new complications and uncertainties that cannot be resolved for at least four or five years.

Many tests will very likely have to be redesigned and repeated, the report said, because in January a new plan was selected to orbit thousands of small, autonomous rockets to try to hit a fraction of attacking missiles. The plan is known as "brilliant pebbles."

Representative John Conyers Jr., a Michigan Democrat, who requested the study for the House Committee on Government Operations, did not submit the report to the Space Defense Initiative Organization, but instead released it to news organizations.

Mild Blood Pressure May Be Hyper Problem

By Elisabeth Rosenthal
New York Times Service

NEW YORK — Above-normal blood pressure, even if it is not high enough to qualify as hypertension, can permanently damage heart and blood vessels and increase the risk of heart attack, a study published Wednesday said.

"Mild elevations of blood pressure are not as innocuous as we used to think," said the principal author of the study, Dr. Steve Julius, chief of the division of hypertension at the University of Michigan.

"We found that even at blood pressures today not considered deserving of treatment, some patients are having organ damage. Most of these patients are not being managed seriously."

He and other experts said the findings suggested that people with borderline hypertension should be followed more closely and treated more aggressively than is custom-

ary now. Still others said the findings did not present enough evidence to warrant a change in treatment.

Doctors have long known that high blood pressure, or hypertension, damages the heart, kidneys and blood vessels, leading to heart attacks, kidney failure and strokes.

But this study goes further than any other in showing that borderline hypertension over many years can also cause organ damage.

The study, published in The Journal of the American Medical Association, involved nearly 1,000 people in Tecumseh, Michigan, who had been examined for high blood pressure since childhood.

Among those aged 18 to 38, a total of 124 had borderline high blood pressure, and some showed subtle impairment of heart and blood vessels, even at this early age. Subtle kidney damage is difficult to assess and was not studied.

For example, the scientists found that the hearts of people with borderline high blood pressure pumped less blood with each beat than average and did not relax properly between contractions. Both conditions are considered very early indicators of potential heart problems.

"We have to revise our view that organ damage occurs only after longstanding and sustained hypertension," Dr. Julius said.

Dr. Karl A. Menninger Dies at 96

United Press International

TOPEKA, Kansas — Dr. Karl A. Menninger, 96, dean of American psychiatry and co-founder of the Menninger Foundation, died Wednesday of cancer.

Dr. Menninger, who would have turned 97 on Sunday, had entered St. Joseph's Regional Medical Center on June 12 and was diagnosed as having abdominal cancer.

A spokesman for the foundation said he had been going to his office daily until he was hospitalized but continued to receive visitors.

Dr. Menninger belonged to a family of physicians. He was himself a physician, psychoanalyst, social reformer, conservationist, best-selling author, lecturer, educator, avid chess and bridge player, gardener, hospital administrator, omnivorous reader and moralist.

His foundation, the best example of his humanitarian and professional concerns, grew out of the Menninger Clinic, which was started in a converted farmhouse in 1925 on the edge of Topeka.

The foundation itself was created in 1941 as a nonprofit umbrella for the expanding Menninger mental health concerns. It now employs nearly 1,000 people, operates on a yearly budget of \$29 million and houses research, medical, educational clinical and preventive psychiatry departments.

In appreciation of his work, President Jimmy Carter awarded him the Medal of Freedom. The citation accompanying the highest honor given to a civilian said he was "an acute observer and social critic."

Dr. Menninger's interest in psychiatry was inspired by his teacher at the Harvard Medical School, Dr. Ernest Southard, for whom the Menningers named their school for disturbed children.

His first book, "The Human Mind," was published in 1930. It quickly became a best-seller and was hailed as the first real effort to explain mental health in down-to-earth terms. The book, which is still in print, helped bring public acceptance of Freudian psychoanalytical theories.

In 1968 his book, "The Crime of Punishment," helped touch off a public debate on penal reform.

Laura Perls, a founder of Gestalt Psychology

NEW YORK (NYT) — Laura Perls, 84, a founder of the Gestalt school of psychotherapy, died Friday in Pforzheim, West Germany, of a thyroid condition.

In the 1940s and 1950s, Mrs. Perls worked with her husband, Fritz Perls, to develop the theory and technique of Gestalt therapy.

The therapy is an eclectic blend borrowing from such sources as the work of Freud and Wilhelm Reich, psychodrama, existentialism and a German theory of perception of the 1930s called gestalt.

Fritz Perls, a psychiatrist, was the better-known and more flamboyant of the pair, acting as teacher in residence at the Esalen Institute in Big Sur, California.

Other deaths:

Roland de Margerie, 91, who

Witness Details Barry Phone Use

The Associated Press

WASHINGTON — More than 2,000 calls were placed from Marion Barry's car phones over a four-year span to friends with whom he was linked to cocaine use, a police detective testified Wednesday at the Washington mayor's drug and perjury trial.

The list covered calls, beginning in early 1986, to the homes or businesses of 10 people who have testified, or been accused in other witnesses' testimony, of supplying drugs to Mr. Barry, using drugs with him and seeing him use them, the detective, James Pawlik, said.

His testimony came as prosecutors ended their monthlong case in which they portrayed the mayor as a regular drug user. R. Kenneth Mundy, Mr. Barry's attorney, has promised "lots of surprises" from defense witnesses.

House Republicans Vow to Fight Taxes

By Susan F. Rasky
New York Times Service

WASHINGTON — As the Bush administration and Congressional Democrats seek to narrow their differences over taxes, restive House Republicans have made it clear that they will vigorously oppose any tax increase.

Preparing for a budget meeting with President George Bush, the Democratic congressional leaders pored over a list of tax options developed by the administration that could become part of a package aimed at cutting the 1991 deficit by \$50 billion.

Congressional officials said the administration's list included elimination for wealthy taxpayers, of the deduction claimed for state and local income taxes; luxury taxes on items such as jewelry and furs; several versions of a broad-based energy tax; an increase in excise taxes on alcohol and cigarettes, and a tax on stock transfers.

Officials said the list had been developed over the past week in discussions among Treasury Secretary Nicholas F. Brady, Richard G. Darman, the White House budget director, Representative Dan Rostenkowski, the Illinois Democrat who is chairman of the House Ways and Means Committee, and Senator Lloyd Bentsen, the Texas Democrat who is chairman of the Senate Finance Committee.

Many details were not immediately clear, such as exactly which taxpayers would lose the deduction for state and local income taxes, if this were to become part of the final package.

But the growing possibility of tax increases stirred anger among Republicans.

Rank-and-file Republican lawmakers prepared a resolution that would oppose all types of tax increases as a way of reducing the budget deficit, including some of those the administration has listed as possibilities.

"We want the president to know where Republican stands before a deal is struck," said Representative Dick Armey of Texas, who is sponsoring the resolution.

"We also want to make it clear to the Democrats that if they want to raise taxes, they will have to do it without Republican support," he said.

Democrats have repeatedly said that any tax increases included in the deficit-cutting package must have not only the endorsement of the president, but also a guarantee that he will deliver a majority of Republican votes to adopt the package in the House and the Senate.

In a narrow victory for the Democratic leadership Tuesday, the House rejected a proposed constitutional amendment requiring a balanced budget.

The proposal failed by only seven votes to muster the two-thirds majority of those voting that is needed for passage. The vote was 279 to 150.

The amendment was opposed by the Democratic leadership, but it was sponsored by a Democrat, Representative Charles W. Stenholm of Texas, and it drew strong

support from among the party's rank and file.

More than 86 Democrats were co-sponsors, and 110 Democrats voted for passage.

The president had endorsed the amendment as well as a similar version, sponsored by Senator Paul Simon, an Illinois Democrat, which cleared the Senate Judiciary Committee last month.

Since constitutional amendments require a two-thirds vote of both the House and the Senate, Tuesday's rejection by the House made any Senate action moot.

The amendment rejected by the House on Tuesday would have required the president to submit a balanced budget to Congress each year, and would have required Congress and the White House to agree each year on an estimate of total revenue.

The amendment also would have required a vote of three-fifths of the House and Senate membership to increase the federal debt, and a majority of the membership in each house to increase revenue.

The stipulation that vote counts be based on the total membership of each house would have been a change in current procedure, in which tallies are based on the number of representatives or senators present and voting.

In more than six hours of debate, supporters of the amendment argued that a change in the U.S. Constitution was the only way to impose fiscal discipline on Congress and the president and correct a bias in the political system that now favors spending increases.

Statutory restraints, such as the Gramm-Rudman-Hollings budget-balancing law, have been too easily ignored or evaded, they said.

"Courage and guts, we don't have it," Mr. Stenholm said. "We need some help, an extra tool."

But opponents said that passage of the amendment was the equivalent of simply declaring that the United States should have clean air, an unenforceable exhortation that would demean the constitution and lead to even more budget devices.

Representative David R. Obey, a Wisconsin Democrat, noted that the proposed amendment was designed to take effect in the 1995 fiscal year, well after the 1992 presidential election.

"The balance to which it refers is only in the hereafter," he said. "The motto should be, 'Not on George's watch.'"

Saudi Offer of 50 Mosques

Agence France-Presse

ISLAMABAD, Pakistan — King Fahd of Saudi Arabia will pay for the construction of 50 mosques in Pakistan, the religious affairs minister, Khan Bahadur Khan, said Wednesday. Mr. Khan met Saudi officials after the tunnel stampede near Mecca earlier this month in which at least 25 Pakistanis were among more than 1,400 pilgrims who suffocated.



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Herald Tribune

Published With The New York Times and The Washington Post

A Mideast Odd Couple

President Assad of Syria may have signed an intriguing new flexibility during his remarkable visit to Egypt this week. Adroit American diplomats could turn it into a new opening for Middle East talks. But that will require the Bush administration to sell two strategic points:

It will have to persuade the Syrian leader and Prime Minister Yitzhak Shamir of Israel to act on what both know — that both have more to fear from Iraq's growing military and power than from each other. Such a mutual understanding could lay the basis for Israeli-Syrian dialogue.

Meanwhile, Washington needs to persuade the Israeli government that talks with Damascus will not get anywhere unless there is progress on the Palestinian problem. Mr. Shamir might try to sidetrack talks with Palestinians by diverting his diplomatic efforts to improving relations with Syria. And Mr. Assad might be only too eager to play along, given his blood feud with Yasser Arafat of the Palestine Liberation Organization. But in the long run, Mr. Assad must tend to Palestinian concerns before he can clasp hands with Israel.

Hafez Assad has not visited Cairo since he denounced President Sadat's peace treaty with Israel. But in recent months he has surely developed a case of nerves over the ascendancy of his archrival, Saddam Hussein, in Iraq and Moscow's reticence as his main arms supplier. It is no great surprise for him to come courting Arab moderates like President Hosni Mubarak of Egypt.

Mr. Assad reiterates his standard demands that Israel give back the Golan Heights and agree to participate in an international conference on the Middle East. But now he also says he is willing to join Egypt's efforts to promote Arab-Israeli peace.

Israel could be interested. The Shamir government might see the Golan Heights as more akin to the Sinai Peninsula (returned to Egypt and demilitarized as a result of the 1978 Camp David accords) than to the emotionally charged real estate of the West Bank. And right now Saddam Hussein is public enemy number one in Israel and Syria.

President Assad and Mr. Shamir also share an intense dislike of Yasser Arafat. Neither wants to see negotiations between Israel and any group under his orders. And both leaders might make common cause to diminish PLO power. But however Mr. Assad feels about the PLO, he has to show concern for Palestinian interests.

That is where Presidents Bush and Mubarak can play a critical role. They rightly want to put Israeli-Palestinian talks back on track. The talks have been derailed by Mr. Shamir's intransigence on the makeup of the Palestinian delegation and by Mr. Arafat's failure to act against PLO terrorism. And no Arab leader, let alone Mr. Assad, is likely to improve ties with Israel until these talks begin and show progress.

For the moment, Mr. Shamir and Mr. Assad are posturing — but that is not meaningless. Their countries have demonstrated mutual restraint on the Golan Heights since the 1973 war. To carry that de facto cooperation beyond restraint, the Bush administration will have to exert its powers of persuasion to convince this potential odd couple they should act on their common interests.

— THE NEW YORK TIMES

Kill These New Weapons

Led by Sam Nunn, the Senate Armed Services Committee has sensibly trimmed \$18 billion from the excessive \$306 billion originally requested by the Bush administration for defense in 1991. That is a lot better than Defense Secretary Dick Cheney's proposed cut of \$8 billion. But even the Nunn proposal falls far short of what is necessary now to reduce military spending by a reasonable 25 percent five years hence.

Mr. Cheney proposes last month to cut the size of the armed forces by 25 percent. But these reductions would trim spending by only 10 percent over five years — and then only by comparison with the bloated budgets of the Reagan administration.

Much more has to be saved to meet new needs, and the best way is to cut new weapons programs now. Otherwise they will eventually absorb most of a promising peace dividend.

The Senate Committee did, to its credit, vote to eliminate three wasteful weapons: a doubtful new air-defense missile system for

the army, the Milstar communications satellite and the aerospace plane. And it turned down a request to buy the first rail cars for launching MX missiles.

The senators also wisely slowed development of a new light helicopter for the army and an advanced tactical fighter plane for the air force. And they delayed procurement of the air force's C-17 transport and the navy's A-12 attack plane. These savings will only be temporary unless the programs are canceled or slashed.

Besides, the committee authorized two more Stealth bombers, at a cost of \$1.9 billion. That brings the total to 17, far more than is needed. It also failed to terminate unnecessary new weapons like the Seawolf attack submarine, the DDG-51 guided missile destroyer and the new F-16 fighter plane. That is where the big money is.

The time to terminate these programs is now. It is up to the House Armed Services Committee to secure a real peace dividend.

— THE NEW YORK TIMES

Putting a Lid on Spying

The past decade's record wave of 45 espionage prosecutions in the United States led the Senate Intelligence Committee last fall to commission a group of private citizens to review the government's capabilities to combat this traffic, most of it conducted by government employees spying for money. The panel, led by Eli Jacobs, a New York businessman with experience as a defense adviser, has proposed 13 statutory changes that are in a bill now before the committee.

Few would question the gravity of espionage offenses — secrets are still being sought by Soviet intelligence and by other services — or the need for a strong government response. But as always in questions of national security, secret investigations and criminal prosecutions, special care must be given to the civil liberties implications.

The Jacobs committee has done a mostly conscientious job balancing the government's requirements and the rights of affected individuals. It recommends, for example, establishment of uniform, minimum standards for receiving security clearances instead of the agency-by-agency system now used. It dreads the prospect of requiring clearance to establish the government's need to know more about the possible personal difficulties of employees with access to top secret information; one recommendation is

to provide special counseling services to employees thought to be vulnerable.

The panel also recommended expansion of some criminal offenses and penalties and rewards for information leading to espionage convictions or to prevention of such offenses. The American Civil Liberties Union has prepared a 52-page document suggesting changes in the proposed bill. Many can be accommodated without much difficulty; senators on the Intelligence Committee are alert to civil liberties problems. But two areas require special attention. One is the panel's recommendation that lie detector tests be administered periodically to government employees who deal with sensitive cryptographic information. Though the use of these tests is meant to be carefully fenced in, such tests remain unreliable and constitute an invasion of privacy.

There is the further issue of conducting searches without warrants in national security cases. The government wishes to continue this practice, though it is hard to imagine how this intrusive policy has been allowed by courts. The panel proposes the minimum safeguard of requiring warrants from special federal intelligence courts, as with national security wiretaps. Here Congress should follow the commission's lead.

— THE WASHINGTON POST

Other Comment

Kohl's Groundwork Pays Off

One can differ in opinion on the way Chancellor Kohl has been working on German reunification. But one thing is sure: His policy has been most successful. With Mikhail Gorbachev's agreement to NATO membership for a unified Germany, Mr. Kohl has in fact already accomplished reunification.

President Gorbachev has made important concessions, but he has also made an important contribution to maintaining stability in Europe.

— De Volkskrant (Amsterdam)

It is not surprising that the final accord on German unity was announced by a triumphant Helmut Kohl. In nine months of gestation, it has been the Kohl-Genscher tandem that has dominated the diplomatic scene — in the East, in patiently removing Kremlin objections and laying the groundwork for major German-Soviet cooperation; and in the West, in leading their partners to accept profound changes in the

Atlantic alliance and in relations with Moscow. The new Germany has made its weight felt in international politics, even before it has legally achieved unity.

— Liberation (Paris)

Moscow could have kept its troops for an indeterminate time in what was formerly East Germany. NATO would not have been able to kick them out by force. But without a real military alliance behind them, the Soviet soldiers would have been like "objects in a museum," as The Economist put it.

— La Stampa (Turin)

Relations between Germany and the Soviet Union will complement the close relations between United States and Germany that have developed in the postwar period. The one does not rule out or replace the other. On the contrary, they supplement the understanding between Moscow and Washington that has been a precondition for developments in Europe in recent years.

— Berlingske Tidende (Copenhagen)

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Talks in the Caucasus: Just How Good Was the News?

By Jim Hoagland

PARIS — Mikhail Gorbachev's acceptance of German reunification in NATO is good news, not only for the West but for the Soviet leader. He has finally reached a bottom line from which he can begin to rebuild Soviet influence in Europe, with German help.

But is that last bit good news? You do not have to be an Old Thinker to feel uneasy about the West German chancellor sitting beside the Soviet president in the foothills of the Caucasus and casually disclosing that U.S., British and French troops will leave Berlin when the last Soviet troops withdraw from the eastern sector of reunited Germany.

The U.S. secretary of state was aloft in a jetliner when Helmut Kohl unveiled to reporters the German decision on how and when the U.S. contingent stationed in Berlin since 1945 would leave. James Baker, a keen supporter of the full-speed-ahead approach on German reunification, landed in Paris and could only enquire about a U.S. withdrawal from Berlin and the rest of the Kohl-Gorbachev deal.

Mr. Kohl also presented his American allies with another fait accompli by agreeing with Mr. Gorbachev on a permanent demilitarization of East German territory, a position that was not agreed to by NATO prior to Mr. Kohl's departure for the Soviet Union. Mr. Bush and Mr. Baker had to grin and swallow that one, too.

That the end of American, French and British occupation rights in Germany is at hand has been apparent for months. Termination

is unavoidable and in most ways desirable.

Democratizing East Germany is an acceptable price to pay for reunification. But Mr. Kohl has taken a major step toward the eventual democratization of all German territory without convincing consultations with his allies. This is an important marker for the future.

The Bonn-Moscow link gives greater influence to both.

Was the heavy symbolism of the new Soviet-German teamwork on security in Europe really necessary? Mr. Kohl could not have been unaware that in the Caucasus setting he was underlining the essential passivity, if not impotence, of his Western partners on the pace and content of German unification.

German strength and Soviet weakness have determined that pace and content for the past year. But the Kohl-Gorbachev meeting in Mineralnye Vody changes the dynamic. Mr. Gorbachev, who has handed over a string of preemptive capitulations, now begins to pull in some chips.

It is tempting to view Mr. Gorbachev's latest concession on the German issue solely as a defeat for his policies and an unalloyed triumph

for the Bush administration. It contains elements of both. But Mr. Gorbachev has emerged with the political partnership with West Germany that he has sought for over a year. It will help him carry out the vast strategic Soviet retreat from Central Europe that is vital to putting the Soviet Union back on its feet.

Mr. Gorbachev has managed to get the West Germans to pay for that retreat and to guarantee that unification will bring economic advantages and financial help for the Soviets. Bonn has also agreed to engage in a treaty-writing process with Moscow that will gradually diminish the U.S. presence and influence in Germany.

This is not chopped chicken liver for a man who has been dealing from weakness throughout this exercise. When he visited Bonn a year ago, Mr. Gorbachev made clear to his West German hosts that he put a good economic and political relationship with West Germany at the very top of his priorities — higher even than his relations with the Soviet satellites when that choice became inevitable. By shedding the costly and demoralizing occupation force in Central Europe, he has killed two strategic birds with one stone.

Moreover, he appears to have contained the "who lost Germany" argument with no great difficulty at the Soviet Communist Party Congress last week. It ended with a clear Gorbachev political victory over his hard-line adversaries and the dismantling of the Politburo as a power center.

This, then, is not the moment to speak of the

failure of Mr. Gorbachev's European policy but rather of its relative success. That is an essential difference that American policymakers should keep in mind as they approach the next and much trickier phase of the remaking of Europe and of the Soviet Union.

It amounts to a simultaneous ending of World War II and of the Cold War. In neither case is the United States dealing with a defeated power that has no options. Mr. Gorbachev had no option but to agree to German reunification in NATO. Having accepted that, he is now free to influence the pan-European arrangements to come and the gradual dilution of NATO. The Bonn-Moscow link gives him an avenue to do so.

The Germans, citing 1919, have wanted for months that they would block any attempt to impose any form of surrender on them. They feel that 45 years of atonement, recovery and democracy has erased the need for a World War II peace treaty. They have skillfully chipped away at the remaining symbols of allied occupation and German defeat in World War II.

Mr. Kohl's unilateral announcement on Soviet soil about the allied presence in Berlin drove home the point that Germany will decide when the last vestiges of the war are to be removed from its territory. It is a troubling display of the kind of unilateralism that the Germans have demanded that others not practice on them. And it is troubling that the U.S. government lacks the wit, and vision, to say so.

The Washington Post

NATO: Outlines of a Strange New (Already Endangered) Beast

By Pierre Lellouche

PARIS — First Dublin, then London, then Moscow. Victims of their own success in defeating communism, the institutions that have evolved in Europe since World War II are desperately trying to find a reason to stay alive in the new world that is emerging.

In Dublin, the European Community decided to accelerate from a march toward federalism into an all-out plunge. The Community now aims not just at a single currency, but at political and even military union.

In London earlier this month, the North Atlantic Treaty Organization faced an even more daunting challenge. How does one justify maintaining a military alliance when one's enemy has evaporated?

Other questions arise:

• How does one explain to the Germans, who now pay good Deutsche marks to the 380,000 Soviet soldiers still in the German Democratic Republic, that they should also keep paying for U.S. and allied troops on their soil? Against whom, and to do what?

• How can America maintain its political and economic influence on the Continent while withdrawing most of its troops and nuclear weapons?

• The Soviets indicated at the Gorbachev-Kohl meeting that they understood that the survival of NATO, with Germany securely fixed to it, is in their own best interest. But how does one keep the alliance alive without making it appear to be what it is: a collective defense mechanism against the Continent's overarmed superpower, the Soviet Union?

In short, how does one keep the United States in Europe when it is withdrawing; the Germans tied in when they are about to recover full sovereignty; and the Soviets reassured when NATO's integrated military structure is to be maintained?

NATO's 16 members tried to square the circle July 6 in London by an impressive series of measures, from sending a message of friendship to the Soviets to abandoning the concepts of forward defense and flexible response.

Together, these reforms will give birth to a new NATO, a strange hybrid animal whose features are yet unknown. Let us try to picture it:

The head would remain American, because the integrated military command structure would be maintained and be ruled by an American supreme allied commander for Europe.

The belly would shrink, because the United States is likely to withdraw at least two-thirds of its contingent from 325,000 troops down to a range of 70,000 to 100,000; and the United German army would be reduced to 370,000 men, under the Kohl-Gorbachev agreement.

The nuclear "muscle" would be considerably stunted as well, with the unilateral withdrawal of nuclear artillery shells and the opening of negotiations on remaining short-range tactical nuclear weapons.

The Germans make no secret of it: They want these talks to lead to the demilitarization of Germany.

Then there is the tail, a bizarre one: It will take the form of a Soviet ambassador, invited to sit with observer status at NATO meetings.

The new animal's mode of locomotion is unclear. The notion of forward defense (in which national allied contingents manned each section of the border, up against the Elbe) appears dead, killed by reunification and by Mr. Kohl's promise not to extend NATO coverage to East Germany. It is to be replaced by defense in depth, with troops moving farther west. But

where exactly? And what forces?

The flexible response doctrine is gone too; nuclear arms are now to be used only as a "last resort." Are we then back to the era of massive retaliation through U.S.-based strategic systems? Why would this strategy, so incredible 30 years ago, work today?

What remains to be seen is whether this new animal can long survive. It faces enormous problems.

The difficulties began in London, where both Prime Minister Margaret Thatcher and President François Mitterrand attacked the new NATO strategy. The British leader believes that the last-resort concept will destroy the credibility of U.S. nuclear deterrence.

The French president argues that the new U.S. strategy is worse than flexible response, condemning Europe to a prolonged conventional war.

NATO's chances for survival, in whatever shape, will not be resolved by the London compromise, but will be in the hands of the new Germany.

It is highly significant that the crucial decisions just reached on Germany's future in NATO were decided not at the NATO summit meeting but between Chancellor Kohl and President Gorbachev.

Mr. Kohl returned triumphantly

from the Soviet Union with a united Germany's entry ticket to NATO in his pocket. But what NATO it will be is unclear. And the price he paid included two important strategic changes relevant to the alliance:

The first is that former East German territory will remain outside NATO, though it will be part of the European Community. The German troops deployed there (about a third of the future German army) will not be integrated in NATO.

The second is the unilateral reduction of German forces, to 370,000, as sought by Mr. Gorbachev. That figure apparently was decided by Mr. Kohl without consulting his allies. The London communiqué of 10 days earlier, while mentioning the reduction of allied forces, did so in the context of disarmament negotiations with Moscow. Mr. Kohl redrafted the London compromise to fit his needs.

Whether Germany decides to stay in the collective defense mechanism that NATO is to become is the question for the years ahead.

The writer, deputy director of the Institut Français des Relations Internationales, contributed this comment to the International Herald Tribune.

S&L: They May Cry 'Foul!' But Republicans Will Pay

By Tom Wicker

NEW YORK — Ed Rollins, the able and usually unflappable Republican strategist, sounded defensive and more than a little panicky at his party's Chicago meeting last week. He was trying to claim that it was the Democrats who had "sold out the taxpayers" in the colossal savings and loan scandal.

Mr. Rollins well knows, and so do those Democrats who would like to

may be. And the hard point is that the S&L disaster happened on Ronald Reagan's watch, and that the none-too-satisfactory cleanup has been inching ahead on George Bush's watch.

That may be unfair, but neither Mr. Bush nor Ed Rollins is complaining because communism collapsed in Eastern Europe and much of the public credits that to the president who was in office when it happened.

Richard Nixon did not hesitate to shine in the light of the moon landing, which took place in his first term, after President Kennedy had begun Project Apollo.

Ronald Reagan was happy to have American hostages come out of Iran the day he was sworn in.

It may be even less fair that the peculiar involvement of President Bush's son in the downfall of the Silverado savings and loan in Denver literally links the overall scandal by name to the man in the White House.

But it is not recorded that Republicans were loath to criticize Billy Carter, when President Carter's brother embarrassed the White House a decade ago.

Politics, like life, is unfair, and the rain falls on the just and the unjust alike.

The Bush family linkage to the

Both parties share the blame. But the disaster, and its unsatisfactory cleanup, have been on the Republicans' watch.

heap all the blame for the S&L mess on the Republicans, that BOTH parties — the Republicans in the executive branch, the Democrats in Congress — signally failed the taxpayers and their own public responsibilities.

If there was an edge of real political fear in Mr. Rollins's remarks, it probably was attributable to a well-known rule of politics that he has exploited often: If something happens on your watch, you get the credit or the blame as the case



Honest Numbers: Good for All but Bush

By Eliot Janeway

HARTFORD, Conn. — A milestone event is taking place in the official scorekeeping on U.S. economic performance. On July 17 the Commerce Department will announce revisions for recent years in its tally of the gross national product of goods and services.

Most economic forecasting boils down to a guessing game over the annual growth rate recorded in the quarterly GNP number. Recently, any shrinkage seemed unthinkable. But this was before the lottery began to turn up growth rates close to zero. The game has now come to a screeching halt.

The players have suspended their scrutiny of where America may be going until they learn where it has been. The oracle they trust is about to confess error — not only for today but for yesterday.

GNP growth was reported not so long ago at a robust annual rate of 5 percent to 6 percent. The latest interim revisions indicate a drop to a puny 1 percent. Economists, however, have been spreading reassurances that the slowdown somehow measures the solidity and soundness of growth.

Certainly the stock market has bought this pitch. This helps explain the inclination of politicians at all levels to discount grass-roots complaints and accept expert nationalizations that slower is safer.

The welcome given the GNP slowdown has concealed the danger of a reversal in direction. But no statistical trickery can keep the revisions now in

a last whirl before the deluge.

Customers have been chalking up recession results at retail counters all over America for months.

During the early 1930s, the country spoke freely of depression and lived with the reality. The Ford's Paradise had collapsed with the 1929 crash, and no statistical make-believe postponed the perception of harsh realities.

The GNP had not yet been invented, so economists and officials had no alternative but to ponder the "anecdotal evidence" from industries and regions that the GNP now permits them to ignore. When the GNP was born in the late 1930s, its sponsors never dreamed that it would be misused as a forecasting tool. Their purpose in the depression-ridden atmosphere of the time was different: to X-ray deficiencies in economic performance with an eye to suggesting policy remedies.

The Federal Reserve chairman, Alan Greenspan, is a compulsive statistical buff. Nevertheless, he recently acknowledged that the "anecdotal evidence" of distress was overwhelming.

In this historical perspective, the breakthrough by the real world into the ivory tower of economics, even before the GNP told the economic establishment what to think, has to be labeled progress. High time.

The writer is publisher of the Janeway Letter and author of "The Economics of Chaos: On Revitalizing the American Economy." He contributed this view to The Hartford Courant.

savings and loan fiasco may not be saved by Attorney General Dick Thornburgh's insistence that the Justice Department can and should do nothing about Neil Bush unless and until criminal allegations are made against him.

That is no doubt a proper legal position, but it is likely to leave the public with the notion that the Justice Department is not even trying to find out whether young Mr. Bush may have acted improperly.

On the other hand, George Bush's dignified but strong defense of his son may help the president's personal standing with a sentimental public.

He could use the help, since his once-phenomenal popularity has taken an abrupt, though not disastrous, tumble. The shippage appears due in good part to the S&L matter: 58 percent of respondents to a Gallup poll taken a week ago disapproved of President Bush's handling of it.

Shortly after the highly hyped invasion of Panama, his overall job approval rating was 80 percent; in the new Gallup poll it fell to 63 percent — still a level most presidents would enjoy but possibly only a waystop on the road down.

Mr. Bush's opposition to pending civil rights legislation (as the bill was written) also worked against him.

His approval rating among blacks dropped from a surprising 58 percent in February to 43 percent. Black disapproval rose in the same period from 28 percent to 42 percent.

In general, the poll data showed a public strongly approving Mr. Bush as national leader in world affairs — 82 percent, for example, on Soviet-American relations.

In domestic affairs, the public gave him much lower ratings: 64

percent faulted his handling of the federal deficit.

The big boost he received in February from the Panama expedition had almost entirely disappeared last week — poetic if delayed justice.

The poll did not disclose, however, vast public discontent with Mr. Bush's repudiation of his 1988 pledge not to impose new taxes; celebrating Democrats, take warning.

It remains to be seen, moreover, whether the White House-congressional "summit meeting" (more hype) on taxes will result in a bipartisan agreement. If it does not, Mr. Bush surely will claim that he had refused to go along with wicked Democratic schemes to raise taxes.

After all, as Vice President Dan Quayle explained at Chicago, with the precision of thought for which he is renowned, "Many Democrats made it clear that their first and only priority was to raise taxes."

The vice president and many other Republicans are now claiming that their first and only priority is to be able to keep on making such wildly overstated charges.

The New York Times

100, 75 AND 50 YEARS AGO

1890: Defending Russia

BERLIN — An article in the *Hamburger Nachrichten* which, it is said, is inspired by Prince Bismarck, takes up the cudgels for Russia. It says that the retirement of Prince Ferdinand from Bulgaria would be not a menace, but a guarantee of peace in Europe. If Germany were to break with Russia to please Austria, Germany would become dependent on Austria, and lose the liberty she has hitherto preserved as a member of the Triple Alliance.

1915: An Attack at Sea

NEW YORK — The steamship *Orduña*, Captain Thomas McComb Taylor, with 212 passengers,

OPINION

The Sounds in Kiev's Streets Have to Do With Democracy

By David S. Broder

KIEV, U.S.S.R. — Every day they come and stand on the broad plaza outside the Ukrainian parliament building. A few carry political signs or the pale blue and yellow flags of Ukrainian independence. Most come just to share vicariously in the extraordinary experience of having a democratically chosen legislature of their own, with a vocal and independent opposition to the Communists.

They listen to the morning's proceedings on loudspeakers in the trees, and when the delegates to the Supreme Soviet of the Ukrainian Republic take their two-hour lunch break, the people but-tole their representatives as assiduously as any Washington lobbyist.

These are not quiet discussions. The emotions rise quickly on warm summer

the western Ukraine, is close to a majority on the Kiev City Council and, with its allies, has grown to control one-third of the republic's legislature.

Its delegates often find themselves cheered and embraced as they emerge from the debates. Thanks to live radio broadcasts and evening telecasts of the day's sessions, previously little-known figures have become instant celebrities.

Some of them are, in fact, remarkable people, like their counterparts in Warsaw and Prague. Many are intellectuals who have put aside their work in an effort to save their country. Les Taniuk, 52, the secretary of the opposition caucus, is a theater director who has translated Shakespeare into Ukrainian and produced plays from Moscow to Cambridge, Massachusetts, and Champaign, Illinois.

During the Khrushchev thaw of the '60s, he created Kiev's first political theater group. It was suppressed by Leonid Brezhnev, who sent him into internal exile. He returned to his native city after Chernobyl left the local Communist leadership "shaky enough so that I could found a youth theater."

He chose to run for parliament in a heavily polluted industrial area of the city, which is also the site of the Bitynya Memorial to 120,000 victims of Stalin's purges, and he won without a runoff — the only non-Communist in a 10-person field.

Mr. Taniuk's campaign and others across the Ukraine were coordinated and managed by Sergei Odarich, 23, a mathematician by training. Raised as a good Communist, in the Pioneer Clubs and Komsomol youth organization, he rebelled at the stifling orthodoxy, and last year he organized a campus chapter of Rukh at Kiev State University.

Mr. Odarich seems old beyond his years, with his formal dress and owlish glasses. Like some of the young American conservatives I met in the 1960s — say, David Keene or Paul Weyrich — he discovered that by relying on unimpeachable young people, ready to drop everything and race across the city to distribute leaflets or turn out a crowd, he could easily out-organize the establishment.

"For me," Mr. Odarich said, "independence for the Ukraine is not an end in itself, but simply a way to assure that people are not treated like cattle, and are given the dignity and respect citizens of a nation deserve."

He added, "It is an opportunity for self-realization."

For himself and his new Moldavian bride, his most ardent wish is to get back to his own career "as soon as possible. The fact that mathematicians and physicians and artists have to do politics shows we do not have a normal society."

This is not yet a normal society, but it is one powerfully engaged in the process of seeking its own destiny.

The Washington Post.

The fierce energy of public debate has a momentum of its own.

afternoons. They are fueled by the decades of frustration at having their opinions stifled or ignored. In the not-too-distant past, they could have been jailed for saying what they are saying now. So they speak their pieces in strong, clear tones. The sound of democracy in this and other parts of the Soviet Union is the sound of raucous, cascading debate.

What strikes a visitor is the readiness of the 450 elected representatives to subject themselves to the baroque and questions and criticisms. Cops are at hand to clear a path to the hotel where many of the legislators lunch, but the members of parliament make a point of coming up to the barricades behind which voters stand — and listening.

"It is good," said one delegate, Valentin Lemisch, a second-echelon apparatchik in the Agriculture and Industry Department, one of many bureaucrats and factory managers the Communists put on their candidate lists.

"In this place, anyone is free to express any thought, display any symbol. It gives them a good feeling. If some want to find it evil, so be it. Most of us deputies understand it is normal."

It is anything but normal for the Soviet Union, of course, but the fierce energy of the public debate that Mikhail Gorbachev unleashed five years ago has developed a momentum of its own. From the edges of the Soviet empire, the drive for self-determination has moved with express-train speed into the very heart of the nation — into Russia and into the Ukraine, which on Monday issued a bold proclamation of sovereignty.

In the Ukraine, the second-largest republic, with 52 million people, a Solidarity-like umbrella independence movement called Rukh has grown from a whisper to a political whirlwind in less than a year. It rules Lvov, the center of



"Mirror, mirror, on the Hubble, Who is free of blame for trouble?"

Adieu to This Artichoke of Autos

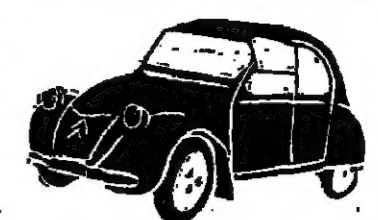
By Lesley Hazleton

NEW YORK — This is a tough summer for the French. Bad enough that a reunited Germany will put an end to French aspirations to the leadership of Europe. Bad enough that the English are buying up half the Normandy and Brittany coasts as summer homes. Now Citroën has announced that, after 43 years of production, the last Deux Chevaux will roll off the assembly line (in Portugal, where production was moved in 1987) at the end of the month.

The Deux Chevaux, also known as the 2CV, was France par excellence. It

superbly, defiantly, doggedly resistant to everything that sets the testosterone and adrenaline running in the blood of car enthusiasts. It was an environmentalist's car long before Earth Day was conceived of. A counterculture car long before 1968.

If its detractors called it "a car de-



signed by a committee" or a "tin can on wheels," its admirers touted its Art Deco styling and its Banhaus functionalism. Its technical elegance was pure and simple: elimination. No distributor, radiator, head gaskets.

Its character was best defined by the qualities it lacked: power, speed, luxury, prestige, aggressiveness. As the French liked to say, it was to other cars as artichokes are to flowers.

You drove it on momentum. Despite the name, it could develop a grand total of 29 horsepower, produced by a 600 cc two-cylinder engine. It had front-wheel drive, air cooling, independent suspension and an amazing ability to survive unblemished where other cars would break an axle.

If you couldn't exactly win at Le Mans in it, you could, with skill, get up

to a reasonable 60 miles (about 100 kilometers) per hour, even 70 downhill.

You could take out all the seats and have your déjeuner sur l'herbe in comfort. You could roll back the canvas top and travel "cabriolet." The "air conditioning" was a flap below the windshield opened by a simple lever.

And it had real headlights — not set flush into the body but mounted proudly atop the hood. It also got well over 40 miles per gallon (80 in its original, 1947 version), when everything else got barely half that.

In the end, it could not compete with technology or with the Japanese, who upscaled the down-scale car. And so at a mere 43 years old, in the prime of its life, it is doomed to nostalgia.

In this age of consumer sophistication, I know it is absurd to feel betrayed by an automobile manufacturer. But Citroën had a cultural artifact on its hands, not just a motorcar. So, say it ain't so, Citroën. For all those memories of youthful treks through Europe, for our hopes for a saner attitude toward power and speed, for the sake of sense over status — mon Dieu, Citroën, pour la France!

The writer, who writes a car column for *Le Monde*, contributed this comment to *The New York Times*.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

LETTERS TO THE EDITOR

Uninterested? Hardly

Regarding "The Cold War Has Been Won at High Cost" by Joseph Lasch (Opinion, July 13):

Mr. Lasch's analysis of the ruin the superpowers visited upon themselves by their pursuit of the Cold War is excellent — up to the last line. It makes no sense to say that "the choice between them — even the abstract choice between socialism and capitalism — no longer interests the rest of the world."

On the contrary, Eastern Europe, the Soviet Union and the Third World will build on the capitalistic foundation of the U.S.-led victory in the Cold War, just as the West built on the democratic foundations of the U.S.-led victory in the hot war that preceded it.

HERMAN ARCHER, Cairo.

Abortion and Religion

Regarding "This Cardinal Has Gone Into Politics" by A. M. Rosenthal (Opinion, June 18):

This cardinal is doing his job, and if that is considered politics, then I pray he

continues. The Roman Catholic Church has always taught that abortion is wrong, but unfortunately this has not stopped some people from resorting to it. It all depends on whether one decides to live a consistent life.

TOKUNBO SALAKO, Lagos.

The Planet Comes First

The report "Ecology: Europe Faults U.S." (July 11) states that the White House chief of staff, John Sununu, opposed new emission limits because "they would require major changes in the American way of life and industrial structure." That is precisely what they would and should do. It is indefensible that the Bush administration still regards preserving the American way of life as more important than preserving the planet for all people for all time.

Sir JOHN WHITMORE, Leigh, England.

Greece: EC All the Way

The otherwise well-conceived cartoon by David Suter that accompanies "Swe-

den: Forever Neutral?" (Special Report, June 27) depicts Sweden contemplating a dive into the European Community pool. Contrary to what the cartoon shows, Greece is a member of the EC and Switzerland is not.

MICHAEL HARTMANN, Athens.

Healthy but Ignored

I find little to disagree with the advice George Vessey offers world soccer's governing body ("Can the United States Handle a World Cup?" July 3), but would like to add one thing: FIFA should send a number of people to the United States to replace the ladies and gentlemen in the media currently covering soccer.

The catchphrase "the United States doesn't even have a league" is beginning to wear thin and annoy me. What have I been watching in Columbia, Maryland, and Hershey, Pennsylvania? Were the thousands joining me an illusion, too?

Perhaps the outdoor and indoor leagues have not progressed as far as their European counterparts, but they are there — young, healthy and grow-

ing, with good support. The only thing lacking is adequate coverage.

JAMIE CONDON, Bad Reichenhall, West Germany.

Say It Again: Sayonara

Regarding "For U.S. Executives, It's as Easy as 'Ikaga desu ka?'" by Deirdre Fanning (June 30):

Your article only reinforces the time-worn myth that the Japanese language is unimaginably difficult. The plain fact is that Japanese is simpler, both phonetically and grammatically, than English. Nor do articles such as yours present the other side of the coin — the sufferings of the Japanese as they attempt to master the intricacies of English.

RICK DAVIS, Kofu, Japan.

The Young Benumbed

In response to "U.S. Youth in '90s: The Indifferent Generation" (June 29):

The young without the privilege of higher education get a lobotomy every day, courtesy of the media. But as an

educator in the United States who has dealt with youth at the university level, I believe that the "privileged" are in a similar fix. Why?

College departments build no bridges to one another; the chief frame of reference is method, not meaning; no connections are made between the world of ideas and the practical world. Participatory citizenship, Jefferson's dream, is remote, so the young seek refuge in the private and the personal.

It is painful for me to see bright young people effectively numbed. I am reminded of Tennessee Williams being asked, "What is your definition of happiness?" His reply: "Insensitivity."

NANCY REEVES, Amsterdam.

What Else Did You Expect?

Regarding "Low and the EC: The Only Model the French Want is French" by Ethan Schwartz (July 13):

Is anyone who knows France surprised?

MAURICE W. BATTEY, Valbonne, France.

Singapore Airlines introduces Raffles Class.
(It's more than just Business as usual.)

Communist Exodus In the Soviet Union Quickens Its Pace

By Gary Lee
Washington Post Service

MOSCOW — The deputy mayor of Moscow, Sergei Stankevich, and six other leading Soviet officials resigned Wednesday from the Communist Party, joining in a wave of departures that is changing the country's political structure.

Hopes for radical transformation of the Communist Party of the Soviet Union in the foreseeable future are unrealistic, said a statement signed by the seven and read at a press conference. "We have made our choice, by deciding to leave the party, in order to promote the process of democratization and renovation of society."

The departing members include Yuri Ryzhov, a member of the presidium of the Supreme Soviet, and Mikhail Bocharov, a senior economic advisor in the parliament of the Russian Republic. Together with the 36-year-old Stankevich, they were among the most promising of the party's younger leaders.

The resignations of leading progressives from the party come in spite of signals from President Mikhail S. Gorbachev that he plans to move the party to the left.

At the close of the 28th Communist Party Congress in Moscow on Friday, Mr. Gorbachev promised to seek a broad coalition and to work with non-Communists in governing the country. The Soviet leader also said that he felt contempt for those leaving the party, however.

The flow of Soviets out of the party — totaling more than 130,000 so far this year — was dramatized by the departure of Boris N. Yeltsin, president of the Russian Republic, on Thursday. Mr. Yeltsin enjoyed a wide backing among the more radical factions of the party, and many lower-ranking members are expected to follow his example in the coming weeks and months.

After Mr. Yeltsin, the mayors of Moscow and Leningrad and members of the radical Democratic Platform also announced their resignations. All said they were dissatisfied with the results of the party congress even though Mr. Gorbachev succeeded in overcoming a conservative majority of delegates in the end.

Exactly how the departing Communists will be active in Soviet politics in the future is unclear. Some of the new members of Democratic Platform are already actively organizing a new party to the left of the Communists.

In their statement released Wednesday, Mr. Stankevich and the other departing members said they would engage in a dialogue with other nonparty groups. They also said that they might join one of the fledgling parties now emerging. But Mr. Yeltsin and some of the others have indicated that they prefer not to join a party.

Even for the most progressive of party members, the decision to leave the party is a difficult one. During Wednesday's press conference, for instance, Mr. Stankevich declined to discuss the reasons behind his choice. "It's my personal, I would say, intimate decision," he told reporters. "I would like not to speak about it now, not to make a global political act of this move. I can only repeat the words of Hamlet — 'the rest is silence.'"

Others who signed the statement were Alexei Yablokov, Valentin Lagunov, Vladimir Tikhonov and Alexei Emelyanov. All were members of the Interregional Group of the Congress of People's Deputies, the Soviet parliament.

Spokesman Warns U.S.

A government spokesman reacted strongly Wednesday to Bush administration plans to open a dialogue with Communist Party opponents, telling U.S. officials not to offer opponents "encouragement or assistance." The Associated Press reported from Moscow.

Secretary of State James A. Baker 3d said Monday he thought it would be appropriate for the United States to "touch base" with the Soviet opposition as it has with the opposition in other countries in Eastern Europe.

Arkadi Maslennikov, a spokesman for President Gorbachev, clearly drew the line at aid.

"I think the limit is if you meet people and discuss whatever matters you wish, that is your business," Mr. Maslennikov said at a briefing.

But he said it involved "encouragement or assistance" that would be "interference in the internal affairs of the Soviet Union and would hardly be tolerated."

He said it would be immoral and illegal "to finance in any form political forces which are striving to come to power."

"It is one thing when you donate money for charity business, to fight disease or to help people in need, say after earthquake or any other disaster, and another thing when you are financing political forces," he said.



Foreign Minister Eduard A. Shevardnadze, left, and Secretary of State James A. Baker 3d before talks that focused on U.S. assistance.

SOVIET: Lithuania Plans Its Own Military Draft

(Continued from page 1)

established by the government later on — the foundation for a Lithuanian army.

Lithuania is already at odds with the Soviet Defense Ministry for exempting Lithuanian men from the annual Soviet draft, and the latest move is likely to heighten tensions between Moscow and Lithuania as the two sides are preparing for formal negotiations on the future of the Baltic republic.

Defense Minister Dmitri T. Yazov warned in a letter to Vytautas Landsbergis, the Lithuanian president, that the republic's obstruction of army induction procedures "cannot fail to have a negative impact on Lithuania's future." The letter was made public Wednesday.

Several other republics have impeded the Soviet draft this year, either by enacting laws offering alternative service to conscientious objectors or by refusing to cooperate with the army in arresting draft evaders and deserters.

Russia and the Ukraine, the two largest of the 15 Soviet republics, have both passed declarations of

sovereignty that call for taking control over military affairs, but have not yet put specific measures into effect.

Lithuania is the first to approve the creation of its own parallel draft and defense force.

"The main purpose of the new law is to give us a legal basis to defend our young men who do not want to serve in the Soviet Army," he said. The law attempts to do this by asserting that only Lithuania has the right to conscript residents

GERMANY: The Final Steps

(Continued from page 1)

member of parliament said that Poland's borders would still be disputed whatever is agreed now to bring about East-West German unity.

"The total renunciation of German territories and rights cannot be permanent," said Herbert Czaja, president of the Association of Expellees.

Mr. Czaja's group is opposed to

any treaty renouncing claims to the former German lands. "One or two foreign ministers cannot negotiate in the place of free self-determination by all the German people," he said in a statement.

The final Two-plus-Four document will be presented to a summit meeting of the 35-member Conference on Security and Cooperation in Europe in November, which is expected to give it an international seal of approval.

In his radio interview, Mr. Genscher said the final agreement would restore full sovereignty to a reunited Germany.

He said it would "finally resolve all questions over the restoration of full sovereignty."

"There will therefore be no peace treaty and no settlement similar to a peace treaty," he said.

West Germany rejects the idea of a formal peace settlement ending World War II because it does not want to be forced to answer for a war launched by Hitler.

A peace treaty would also raise the question of reparation claims by up to 100 countries that were, at least nominally, at war with Nazi Germany.

Mr. Genscher was asked about objections by the East German foreign minister, Markus Meckel, to the presence of NATO troops in what is currently East Germany after the withdrawal of Soviet forces.

Mr. Genscher replied that "these forces could be under NATO command, after the departure of Soviet soldiers, but only German forces will be stationed in what is now East German territory."

Mr. Kohl briefed his cabinet Wednesday on his successful visit to the Soviet Union, where he secured the approval of President Mikhail S. Gorbachev for a reunited Germany's freedom to choose its allies.

Prime Minister Toshiki Kaifu and his foreign minister, Taro Nakayama, have in recent months based their newly activist foreign policy on supporting the coalition that included the Khmer Rouge.

KHMER: U.S. Does U-Turn

(Continued from page 1)

Asian nations on the policy switch, but he declined to elaborate.

The administration's move on Cambodia appears to have been motivated by two factors: the war on the ground, where the Khmer Rouge appear suddenly to be making major headway, and the mounting opposition in Congress.

In Congress, a series of recent votes has made it clear to the administration that its policy of supporting a guerrilla movement that could return the Khmer Rouge to power is rapidly losing support, particularly as the end of the Cold War has made the Soviet-backed Hun Sen government less odious to Washington and the withdrawal of Vietnamese troops from Cambodia last year has undercut allegations that Hun Sen was a mere puppet of Hanoi.

■ Vietnam Welcomes Move
Vietnam's chief delegate to the United Nations welcomed the U.S. move to withdraw recognition from the Cambodian guerrilla coalition and open a dialogue with his country, The Associated Press reported.

"This represents progress in U.S. Cambodia policy," Ambassador Trinh Xuan Lang said in New York.

Mr. Son Sant, in Paris, accused the United States of "playing the game of Hanoi" and said he hoped the coalition could hold an emergency meeting as soon as possible in Bangkok or Paris.

Telephone calls to Prince Sihanouk's home in Beijing went unanswered. But his son, Prince Norodom Ranariddh, commander of his father's faction, said in Bangkok that the U.S. move would force the guerrillas closer to Beijing.

■ U.S. Switch Stuns Japanese Officials
International Herald Tribune

TOKYO — Japanese officials, apparently as stunned by Washington's new policy as their counterparts in Beijing and Southeast Asian capitals were, had no immediate comment late Wednesday, and were uncertain whether they would respond publicly on Thursday.

But it was apparent that the U.S. shift in its approach to Indochina had dealt a major blow to Japan's nascent foreign policy efforts in the region, while raising yet again for Tokyo the threat of isolation in the face of dramatic changes in East-West relations.

Prime Minister Toshiki Kaifu and his foreign minister, Taro Nakayama, have in recent months based their newly activist foreign policy on supporting the coalition that included the Khmer Rouge.

U.S. Expands Offer Of Help for Moscow

Compiled by Our Staff From Dispatches

PARIS — The United States on Wednesday expanded its offer of technical assistance to the Soviet Union.

During talks with Foreign Minister Eduard A. Shevardnadze, Secretary of State James A. Baker 3d outlined new areas where Washington felt it could be helpful, a senior U.S. official said.

Mr. Shevardnadze and Mr. Baker met for more than two hours in Paris after attending talks on German reunification.

Expanding on an offer first made at the U.S.-Soviet summit meeting at Malta in December, Mr. Baker offered U.S. technical assistance on housing, banking, development of a free market economy and tax administration.

More important, according to U.S. officials, he proposed to help develop an efficient system to get goods to markets.

Mr. Baker "made the point that it doesn't do any good for the Soviets to be producing a lot more goods or acquiring a lot more goods if they can't distribute it," a senior official said.

Mr. Shevardnadze did not respond immediately to the offer for assistance, made a week after the Houston economic summit meeting of the West's industrialized nations.

At that meeting, West Germany failed to win support from other countries for a multibillion-dollar package of direct aid to Moscow.

President Mikhail S. Gorbachev, under increasing domestic pressure to produce tangible results from his program of change, had appealed to the West for help.

President George Bush has said he wants Mr. Gorbachev to succeed but cannot endorse direct aid until Moscow moves toward a market economy.

Meanwhile, Mr. Shevardnadze, saying "the Arabs have a legitimate

concern," called on the United States on Wednesday to use its influence with Israel to stop the settlement of Soviet Jews in the Israeli-occupied territories.

Speaking after the talks with Mr. Baker, the Soviet envoy said he had asked that Washington "use all its authority to exert an adequate influence" so that new immigrants from the Soviet Union are not settled in the Gaza Strip and West Bank.

Mr. Shevardnadze said that Moscow was "presenting no more obstacles" to the emigration of Jews from the Soviet Union.

He added, "But what preoccupies us very much is the problem of the installation of persons coming from the Soviet Union in the occupied territories."

Mr. Baker made no comment on the Middle East in remarks to reporters after the talks.

David Levy, the Israeli foreign minister, had been scheduled to meet with Mr. Baker in Paris as well, but the session was canceled earlier this week on grounds that Mr. Levy recently suffered a heart attack.

Some diplomatic sources have speculated, however, that the Israeli prime minister, Yitzhak Shamir, opposed such a meeting at a time when the Shamir government has no obvious answers to U.S. concerns over the stalled Middle East peace process.

Mr. Shevardnadze also replied to a question on Afghanistan.

"The Afghan government has a new plan that includes very important elements for national reconciliation, free elections under the auspices and control of the UN and many other things," he said.

Mr. Baker and Mr. Shevardnadze will meet again in the Siberian city of Irkutsk on Aug. 1. Mr. Shevardnadze said the talks, at Lake Baikal, were likely to focus on Afghanistan.

(Reuters, UPI)

EUROPEAN TOPICS

East Europeans Try For U.S. Colleges

Thousands of East European students are seeking to enroll in American universities, The New York Times reports.

In Czechoslovakia alone, 2,500 students contacted the U.S. Embassy in Prague in December, January and February to get university addresses and materials on admissions procedures, said Adeline O'Connell, an education official of the U.S. Information Agency in Washington. The USIA disseminates materials on American schools to other countries.

But American college officials say they have little financial aid to offer East European applicants, who are largely poor and whose money is worth little abroad.

One promising opening is Harvard University, which does not limit the amount spent on foreign students, said William Fitzsimmons, Harvard dean of admissions and financial aid.

Princess and Vatican Argue Over Church

Orietta Doria Pamphili, 68, an Italian princess and descendant of a pope, is taking the Vatican to court over the ownership of a 17th-century church in Rome.

At stake are the rights of the princess over Santa Agnese in Agone, a church built more than 300 years ago by Francesco Borromini. It stands in Piazza Navona, the square that features Giovanni Lorenzo Bernini's Fountain of the Four Rivers at its center.

The church was commissioned by Pope Innocent X, a member of the Doria Pamphili family who ordered the demolition of an older church on the same site in 1652. According to Vito Mazzarelli, the princess's lawyer, Innocent X paid for the

construction and bequeathed the building to his family, which has been its legal owner ever since.

In 1981, Princess Doria Pamphili decided to donate the church to the Italian state. But recently she found out that the procedures for the handover were halted after the diocese of Rome registered the church as a legal entity in 1987 and appointed Jean François Arrighi, a Corsican bishop, as its legal representative.

The princess has summoned to court Cardinal Ugo Polini, the vicar of Rome, as well as Antonio Gava, the interior minister, who reportedly approved the move. The Vatican has declined to comment on the subject. The first hearing is due in December.

Around Europe

Several dozen Spanish inmates of both sexes mingle each day for an hour and a half at the swimming pool of the Madrid prison of Alcala de Henares. The detention center for juvenile delinquents aged 16 to 25 started the experiment last week, the first in Spain. Prison officials also plan mixed attendance at computer and grammar classes. The male and female prisoners, who live in individual rooms in separate compounds, are allowed to leave their cells during the day. The swimming pool hours and the mixed classes are meant as incentives to help inmates reintegrate into society once they leave prison. Maria José Marcos, the prison's psychologist, said that behavior had already improved noticeably, but that several nascent romances could pose potential problems.

The French police said Tuesday that they had arrested a small-town burglar with a habit of eating snacks in the kitchens of homes he raided in Modane, Brittany. They were able to identify him from dental records after he left behind his false teeth during the latest outing. His name was not released.

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ACROSS

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- 2 Astute tool
- 3 Timetable, for short
- 4 She gets what she wants
- 5 Ipecac is one
- 6 K.G.B. ancestor
- 7 Bedouin chieftain
- 8 Lady Chaplin
- 9 Like a triforme
- 10 Express thoughts carefully
- 11 Hebrew letter
- 12 Lie closing
- 13 Halley's
- 14 Part of a shoe
- 15 Porter or stout
- 16 Be about to happen
- 17 Tops
- 18 Feel free to act
- 19 Metal strap
- 20 In — (so to speak)
- 21 Monogram of Atlanta's Turner
- 22 A rhyme for credit
- 23 Money in the bank
- 24 "— that I loved Caesar less —": Brutus
- 25 Work incentive
- 26 Keep cool when vexed
- 27 Hot and sticky
- 28 Official records
- 29 Pter support
- 30 Coeur d' — Idaho city
- 31 Hound
- 32 Edom
- 33 Kitchen gadget
- 34 Nashville attraction
- 35 Incline

DOWN

- 1 A lot
- 2 Man's castle?
- 3 Familiar follower of st
- 4 Treat a sore throat
- 5 Foster's "— with a View"
- 6 Part of a Blackmore title
- 7 Sectional
- 8 Greek letters
- 9 Moves hastily
- 10 Certain drawing pencil
- 11 Grove
- 12 Barely manages, with "out"
- 13 Celebrant in June
- 14 — hand (humbly)
- 15 Actress Barrie and Hiller
- 16 Moneyed country singer?
- 17 City on the Allegheny
- 18 Reagan Cabinet member
- 19 Words before instant or uproar
- 20 Early film mogul and family
- 21 On the mother's side
- 22 "— Me, 1929"
- 23 song
- 24 Attention-getting sound
- 25 Rock member
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- 30 "— fiddle"
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- 32 On the move
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- 34 Wahine's dance
- 35 Hebrew dry measure
- 36 Acronym originating in 1949
- 37 Galleo's birthplace
- 38 Its capital was Suse
- 39 Enlist again
- 40 Gen. Arnold

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HEALTH / SCIENCE

Mighty Mites That Bug Us All

By Natalie Angier
New York Times Service

TO the ancient Greeks, the word "parasite" meant one who eats at the table of another. But far from having the decency to sit down for dinner, most parasites in nature suck the blood, sip at the gastric juices of the intestines, pierce into the nourishing warmth of muscle tissue and otherwise leech rudely off the fluids and labors of their unwilling hosts.

Yet for all their repulsive traits, worms, mites, fungi, viruses and a rogues' gallery of other parasitic organisms that derive their nutrients from a larger species hold an increasing fascination for evolutionary biologists.

After long dismissing the freeloaders as bit players in the grand theater of evolution, scientists now propose that parasites may explain many of the features seen in a broad spectrum of animals and plants.

They say that the relentless pressure of a diverse battery of parasitic species, ready to colonize and exploit every square millimeter of larger creatures, has helped shape many of the traits of the beleaguered hosts.

At a meeting of evolutionary biologists last month in College Park, Maryland, researchers presented a wealth of data suggesting that parasitism is what gave birth to sex.

They proposed that animals and plants mix their genes together sexually, rather than simply generating clones of themselves, to create diverse offspring as a way of assuring some resistance to parasites.

Other biologists have gathered evidence that the need to dodge parasites also may have been the force prodding some species to become migratory or to spend part of every year in isolation from their potentially pest-ridden fellows.

"Historically, the study of parasites has been utterly, completely and egregiously neglected," said Dr. Douglas E. Gill, a parasite expert at the University of Maryland in College Park. "Now that's all changing. There's a great deal of

interest at the medical, molecular and ecological level of what parasites are doing out there."

Some researchers are trying to understand why many species of parasites go through multistage life cycles, passing from one host to another. In probing the parasitic reproductive cycle, researchers have unearthed examples of host-parasite relationships that border on the macabre.

Dr. Manfred E. Rau, a parasitologist at McGill University in Montreal, recently found that two types of closely related parasitic

The biggest mystery to these researchers has been why sex evolved.

worms can influence the behavior of mice to suit their own needs.

One worm will prompt the mouse to become hyperactive, scampering through fields so frenetically that it attracts the attention of a predatory bird that will eat the mouse and the worm with it. When the bird eats the mouse, it provides the necessary next home for the parasitic larvae.

By contrast, the related worm species will cause a mouse to become sluggish, heightening the chance it will be easily stalked down by the carnivorous mammals this worm prefers for its second shelter.

IN one of the more remarkable instances of parasitism, a type of liver fluke begins its life as eggs laid in the intestines of sheep or other grazing animals. The eggs are expelled by the sheep and are then eaten by land snails that feed on sheep feces.

Inside the snails, the eggs hatch and develop into larvae, which are once again expelled by the host, this time wrapped within a slimy, mucous-like packet ants find irresistible.

Once ingested by ants, the larvae go to work, some moving into the ant's intestines, where

they develop into a new, infectious stage, and a few invading the ant's brain.

Those larvae, called brainworms, so disturb the ant that, early in the morning and late in the evening, it does something no sane ant would—climb to the tips of blades of grass, just at the moment when sheep will be grazing.

Some researchers say the new interest in parasites stems partly from the extraordinary advances in the study of the human immune system. As investigators have deciphered its staggering complexity, they have come to consider the varied spectrum of parasites and pathogens that the immune system evolved to attack.

SCIENTISTS have no idea how many species of parasites there are or even what exactly constitutes a parasite.

By the generally accepted definition, a parasite must derive most or all of its nutrients and resources from another animal or plant species, and it also must be smaller than the host it uses. Parasites frequently are harmful to their hosts, although the degree of virulence varies widely.

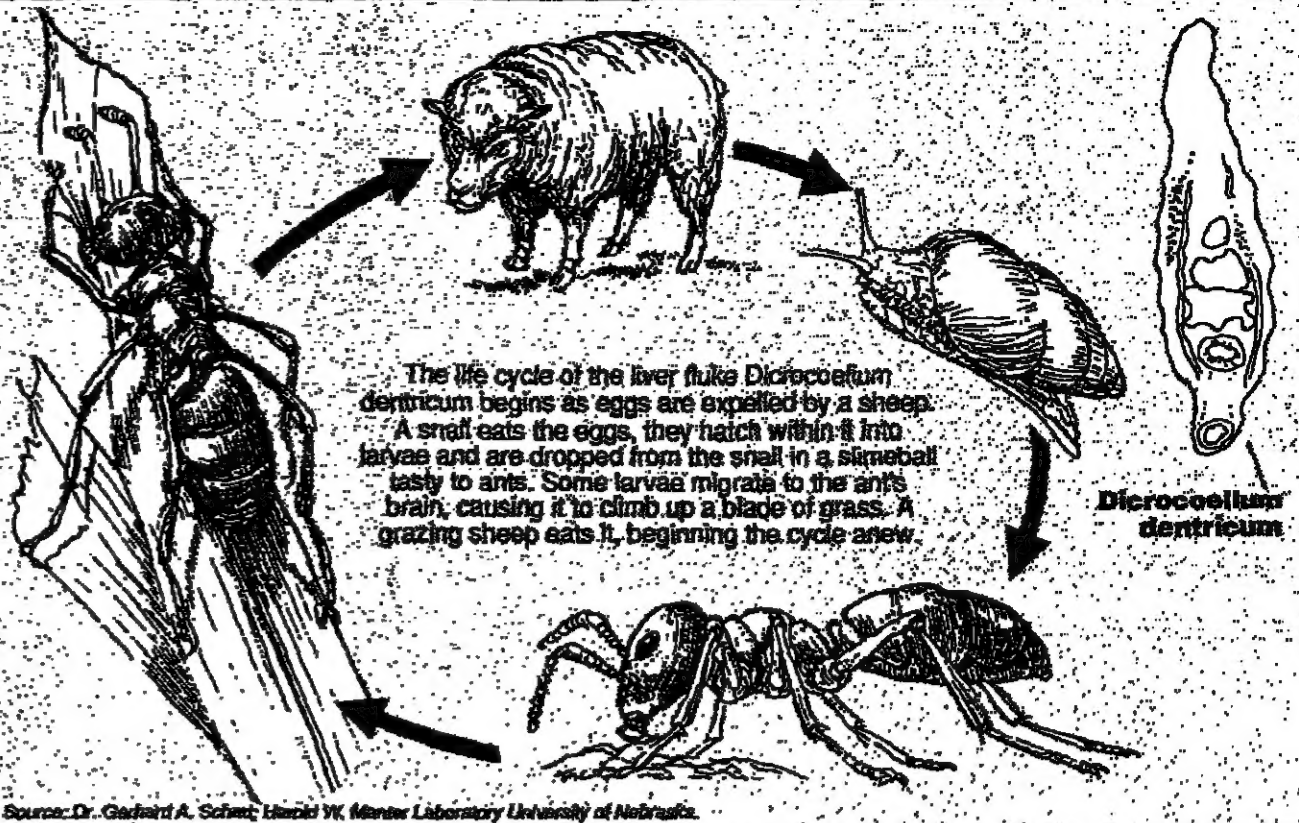
Until recently, parasitologists have studied their subjects largely in an effort to eradicate them. But lately, biologists, stymied in their efforts to solve a few key puzzles in evolution, have turned to parasites in looking for solutions.

The biggest mystery to these researchers has been why sex evolved. On the face of it, scientists say, sexual reproduction is cumbersome and irrational, far less efficient than reproduction by simple clonal copying of the mother organism.

Some lower animals and plants do procreate asexually, but the majority of species reproduce through a joining of male and female sex cells, and evolutionary biologists have sought to learn why.

Some say that it makes sense for plants and animals to vary their offspring to outwit parasites, because parasites prefer to infect creatures that are similar to the hosts they have already exploited.

How a Pest Seems to Orchestrate Its Path



Source: Dr. Garfield A. Schatz, MSc, UK, Mawson Laboratory University of Nebraska.

Michael Williams/The New York Times

HEALTH Q&A

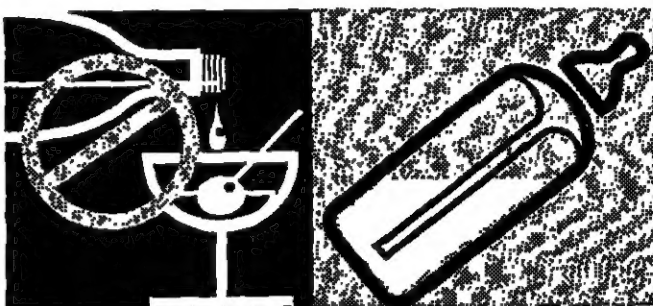
Alcohol Use During Pregnancy

As a pregnant woman living in Italy, I am concerned about the casual attitude, even among health professionals, toward alcohol consumption during pregnancy.

Your concern is justified. Ethyl alcohol, the "active" ingredient in alcoholic drinks, is a molecule small enough to pass through the placenta from the mother to the fetus. Therefore, if the substance consumed by the mother is not at least partially metabolized prior to passage through the placenta, the developing infant will be exposed to the brunt of alcohol's effects.

The relationship between heavy drinking during pregnancy and congenital malformations is well-established. Whether light or moderate drinking causes similar defects is controversial. Recent data involving 32,870 women regarding alcohol consumption during the first trimester of pregnancy showed that total malformation rates were not significantly different in the offspring of women who had an average of less than one drink a day (7.7 percent) or two drinks a day (8.3 percent) than among offspring of nondrinkers (7.8 percent).

But you would be wise to abstain from alcohol (and caffeine and other addictive drugs) during your entire pregnancy and breast-feeding so as to stack the health odds in favor of your baby.



Richard Young/RTT

My son and wife are afflicted by ocular albinism. I live in West Germany, where the doctors are not very forthcoming with information. A basic overview, please.

Unfortunately, there is not a tremendous amount of information to bring forth. The three forms of ocular albinism are inherited. In two (Nethership and Forsius-Eriksson), the transmission is X-linked (only

males are affected, while females are asymptomatic, often unknowing carriers). In the third, the transmission is autosomal-recessive, with both sexes equally affected. There is no transmission between parents.

Two aspects of melanin deficiency in humans are decreased visual acuity and an abnormal degree of intolerance to sunlight, with potentially cancerous skin lesions in unprotected skin.

For now, daily use of topical sunscreens and avoidance of sunlight is the prudent course; for the future, genetic counseling to determine the carrier status of your wife.

I read recently that Jimmy Carter, among his other endeavors, is helping to eliminate guinea-worm disease. What and where is it?

The former U.S. president has been active in efforts to eradicate guinea-worm disease (Dracunculiasis), a painfully incapacitating disease endemic in Asia (India and Pakistan) and Africa (most severely in Nigeria). It is acquired by drinking water contaminated by a parasite-infected crustacean.

After a year or so, the female worms of the parasite, up to a meter in length, emerge through a painful skin blister. The traditional way of extraction is by winding up the worm on a matchstick, several centimeters a day, until it emerges intact. If the suffering host enters the water for relief of pain, he runs the risk that the female worm will lay many thousands of egg larvae into a possible drinking water source, thus completing the cycle.

Michael McGannon, M.D., will answer questions from readers every other Thursday. Please write to him at the International Herald Tribune, 181 Avenue Charles de Gaulle, 92521 Neuilly, France.

IN BRIEF

Abuse in Childhood Tied to Adult Health

NEW YORK (NYT)—Women who were abused as children have more health problems and require more hospital care than women who were not abused, researchers reported at a recent meeting of the American College of Obstetricians and Gynecologists.

Tamara P. Moeller and Gloria A. Bachmann of the University of Medicine and Dentistry of New Jersey surveyed about 700 women ranging in age from 16 to 76. They were mostly white, middle class and college educated.

Of the women in the survey, 53 percent reported suffering one or more kinds of abuse in childhood:

physical, sexual or emotional. Women who suffered any of these reported more illnesses requiring hospital care and more frequent gynecological problems as adults. They also had an overall perception of themselves as being in poorer health compared with those who did not report abuse.

New Techniques Aid Alzheimer's Study

WASHINGTON (WP)—New imaging techniques are helping researchers predict the course of Alzheimer's disease and show preliminary evidence that the affected brain cells are not dead but are merely "idling," researchers at the National Institute of Aging report.

Researchers say this suggests that in the early stages of the disease the cells are alive and could one day be reactivated by drugs. "It's rather optimistic," said Stanley I. Rapoport, chief of NIA's laboratory of neuroscience.

In addition, he said, he and his colleagues also have been able to predict the course of illness in 90 patients with early signs of Alzheimer's disease using positron emission tomography (PET). PET scanners measure the energy used by brain cells.

Trees Seen as an Ally in Controlling Smog

WASHINGTON (WP)—Trees may serve a major role in the control of smog, and their continued destruction in cities means that despite reductions in pollution, smog will get worse, not better. Research to be published soon by scientists at Georgia Institute of Technology suggests that city planners spare as many trees as possible, because greenery cools the city and reduces a phenomenon known as the "urban heat island," in which concrete and asphalt absorb and store heat, creating a kind of solar oven that sets off a chain of chemical reactions that produce smog.

The city of Atlanta, for example, has lost about 20 percent of its trees in 15 years. During that period, average summer temperatures in Atlanta have climbed almost 4 degrees Fahrenheit (2.2 centigrade).

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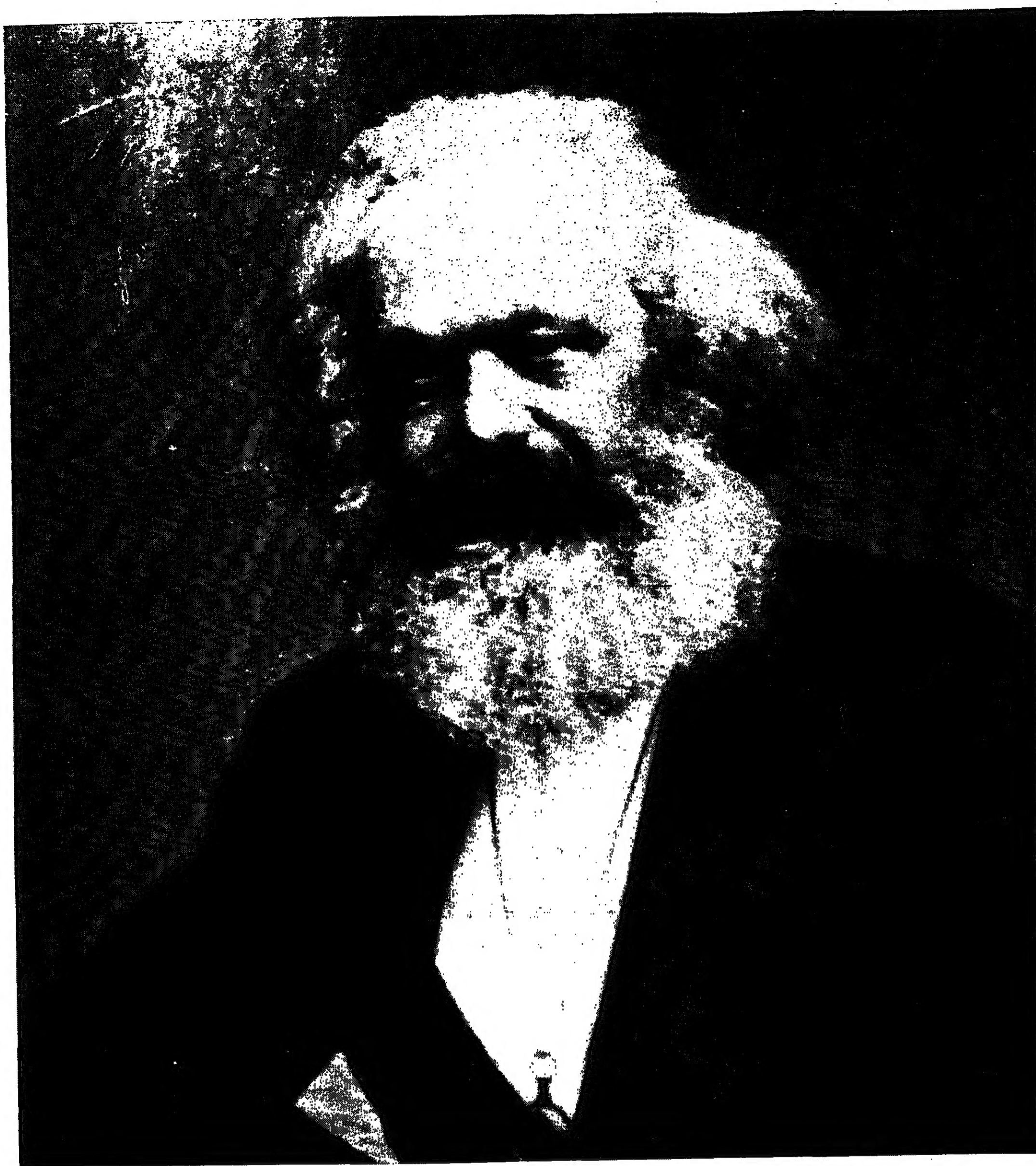
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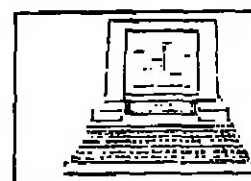


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INTERNATIONAL MANAGER

CEO's Toughest Dilemma Is Choosing a Successor

By Deirdre Fanning
New York Times Service

NEW YORK — In January 1989, in the middle of an industry convention in Chicago, John Muller Jr., founder and chairman of the General Housewares Corp., summoned an executive vice president, Paul Saxton, to a coffee shop in the convention hall to deliver some long-awaited news: Mr. Saxton would succeed him as chief executive of the Stamford, Connecticut, company.

For Mr. Saxton, now 51, it was the chance he had waited for. Two years earlier, he had left the Sunbeam Appliance Corp., where he was a vice president for marketing and sales, on the promise that he would have a shot at the top job at General Housewares.

But for Mr. Muller, who is now 66, it was a bittersweet moment — the culmination of four years of trauma over the question of succession.

The choice of a successor is one of the toughest decisions a chief executive must ever make.

"It's like having a baby; I wanted to be sure the company would be in good hands when I left," said Mr. Muller, an elegant, silver-haired man with a patrician manner. "But I wanted to wait until I found someone strong enough to replace me."

And for company founders like Mr. Muller, the decision is often complicated by their conflicting feelings about giving an outsider something they have toiled long and hard to create.

Mr. Muller, who officially relinquished the top spot in May, is now struggling to take his mind off the company.

Still, while he dreads the breakup, Mr. Muller says it has given him a surprising sense of relief: "I was ready to let someone else handle the problems for a change. For me, the excitement of tackling new problems was gone."

Mr. Muller started the company in 1967. It was very profitable and became a favorite of Wall Street.

But things started falling apart late in the 1980s. With the influx of women into the workplace, sales of housewares began to drop.

With his characteristic insistence on running things, Mr. Muller personally took over the troubled cookware division.

"I was ready to let someone else handle the problems for a change," Mr. Muller said.

ALTHOUGH HE MANAGED TO STEM the losses, he realized that his one-man band, while functional in the good times, lacked the depth to pull through in the bad. "As we ran into choppy waters, we needed people who could adjust to new situations and I saw that we just didn't have that," he said. "I needed to surround myself with stronger people."

Paul Saxton fit this profile. "He had a marketing background and seemed to know all the right things to do," Mr. Muller said. "He was also able to stand up to me."

The other thing that was beginning to nag at Mr. Muller was the thought of who would replace him.

"I got through that second crisis," he said, "but really felt the chain getting tighter around my neck. I thought, God, this is beginning to wear thin on me."

By the mid-1980s, his own sense of unhappiness about the company's direction was affecting his managerial style.

"When we were just starting the company, I wasn't tolerant of people doing stupid things," he said. "It kept getting worse and worse. I realized just how little patience I had left and thought maybe this was a sign that I should get out."

In preparation, he decided to put Mr. Saxton in charge of the cookware division in 1988.

In a matter of 12 months, Mr. Saxton had improved profitability by cutting the division's huge product line, which Mr. Muller had taken particular pride in building.

Having been rewarded for his hard work two months ago, Mr. Saxton now confronts another challenge: dealing with Mr. Muller, who will keep the title of chairman for two more years.

Asian Exporters Assail U.S. Textile Bill

HONG KONG — Asian textile exporters contend that a bill passed by the U.S. Senate to restrict imports is a tactic to bolster Washington's position at trade talks in Geneva.

"The bill has apparently been introduced to put pressure on the U.S. negotiators in the Uruguay Round of GATT talks against making concessions on textiles and apparel," the director-general of trade in Hong Kong, Chau Tak-hei, said Wednesday.

The Senate voted Tuesday, 68 to 32, for the measure, which would allow only a 1 percent annual increase in imports of textiles and textile products. Currently, 75 percent of imports are covered by quotas that can be expanded by about 3.5 percent a year.

The legislation would have the greatest impact on nations like Hong Kong, Taiwan, Japan and South Korea.

But although a majority of House members have co-sponsored the legislation, the White House has threatened to veto the bill, making it unlikely that the measure will become law. Congress has failed twice to override presidential vetoes of similar textile measures.

A South Korean Trade Ministry official also said Wednesday that the bill seemed to be an attempt to strengthen the U.S. position in talks of the General Agreement on Tariffs and Trade. The United States wants the nearly 100 nations involved in the GATT talks to agree to a global textile trade pact, to be phased in over 10 years.

South Korea's textile exports to the United States were valued at

\$1.45 billion in the first five months of this year, down from \$1.55 billion in the same 1989 period, ministry figures show.

Hong Kong exported 11.9 billion Hong Kong dollars (\$1.53 billion) worth of textiles and clothing to the United States between January and May, up from 11.08 billion dollars.

Japan's textile and textile products exports to the United States in 1989 were worth \$820.51 million, down from \$886.97 million in 1988, government figures show. Japan, a net textile importer, fills only 50 to 60 percent of its quotas on average, an official said. The nation exports high-quality synthetic textile yarns to South Korea and Taiwan, which finish them into final products.

Taiwan's textile exports to the United States, representing about 30 percent of its total export value,

totalled \$1.28 billion in first half of 1990, down from \$1.4 billion.

Opponents of the bill warned that passage of the legislation could destroy GATT talks on liberalizing world trade.

"If this textile legislation is passed into law, then other nations will take off the negotiating table matters that are extremely important to us," Ronald J. Sordini, the chief U.S. textile negotiator at GATT, told the Senate Finance Committee. "Should this happen, the Uruguay Round negotiations will fail and the future of the international trading system will be bleak."

A spokesman for the Taiwan Textile Federation, T.Y. Lok, said, "Our policy has always been open trade. We regret the U.S. Senate position very much and hope President Bush will oppose the bill, just as former U.S. presidents have done."

Japan Rate Rise Talk Persists Despite Denials

By Patrick L. Smith
International Herald Tribune

TOKYO — Yasushi Mieno, the Bank of Japan's governor, denied persistent rumors of an imminent increase in the central bank's benchmark interest rate Wednesday, but he tacitly confirmed expectations in the markets by carefully leaving open the possibility of another rate rise later this year.

Economists and currency analysts interpreted Mr. Mieno's comments as a signal that unless the yen continues to strengthen, another increase in the central bank's official discount rate could be expected within the next several months.

Mr. Mieno spoke at a regularly scheduled press conference after a two-day meeting of the bank's regional managers, at which concerns about increasing dangers of inflation predominated.

Bank officials at the meeting were implicitly critical of the wait-and-see policy adopted by Mr. Mieno over the last several months, questioning whether medium-term inflationary pressures could be reduced with interest rates at current levels.

Mr. Mieno repeated — "like a Buddhist chant," he said — that his primary focus remained the impact of the last rise in the discount rate, an increase of 1 percentage point in March. But he also acknowledged the branch managers' view, stressing that the bank was paying close attention to the potentially damaging effects of rising wages and land prices.

Mr. Mieno spoke just after Tokyo financial markets had closed. But rumors of an immediate rise in the discount rate, the interest the

central bank charges on loans to commercial banks, had sent the dollar sharply lower and pushed stocks down moderately.

"There was a rumor of another rate increase today," Mr. Mieno said. "But we haven't changed our stance. We are closely watching the situation both inside and outside Japan."

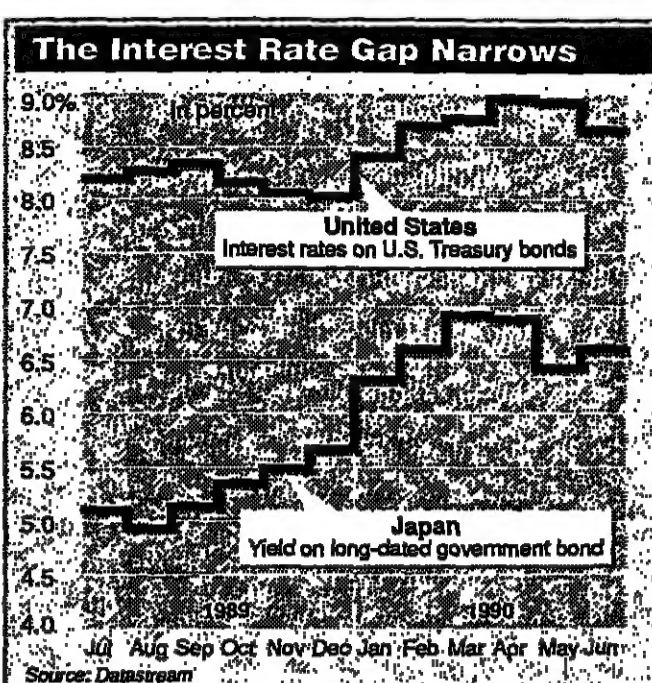
The dollar was also influenced by the clouded outlook for U.S. interest rates. The U.S. currency ended here at 147.25, down 0.95 yen from the previous day and 0.60 yen lower than Tuesday's finish in New York.

The Nikkei average of 225 industrial stocks lost 124.17 points in moderate trading, ending the session at 33,048.11. Share analysts said investors were virtually paralyzed by uncertainty over the direction of interest rates in both the United States and Japan.

By almost all standard measures, the threat of inflation in Japan's still strong economy is receding. Figures issued last week showed wholesale prices in June at only 0.9 percent above year-earlier levels, and consumer price inflation stabilized in the second quarter at a year-to-year rate of 2.2 percent.

But that is not the central bank's focus. As regional managers indicated, the fear is that continued rises in land prices and higher wage costs due to a tightening labor market present the specter of a burst of inflation later this year or early in 1991 that is not detectable in national statistics.

The Labor Ministry reported three weeks ago, for instance, that the ratio of job openings to job seekers rose to 1.41 in May, its highest level since 1974. Sharing



these concerns, as well as another about unusually high growth in the Japanese money supply, Mr. Mieno walked a fine line in his comments Wednesday.

"As some branch managers reported, wage increases will be reflected in prices, not across the board but to some extent," Mr. Mieno said. "And while land prices in the worst-hit areas in the past are improving, those in other cities are rising."

The bank has been worried for some time about an increase in the money supply, which has been difficult to interpret because of a shift in funds from non-bank savings accounts toward banks.

Earlier this year, the broadest measure of money supply grew at an annual rate of 13.2 percent, the highest rate in more than 14 years.

The central bank's committee of branch managers, which meets

quarterly, does not have the policy responsibilities of the Federal Reserve Board, but it serves similarly as a mechanism by which the central bank, like the U.S. Federal Reserve Board, can measure the impact of monetary policy on the nation as a whole.

The central bank signaled its willingness to act preemptively against inflationary pressures last month, when it pushed up rates on treasury overnight call money through commercial paper repurchases and by draining money from credit markets.

The bank's apparent aim, analysts said, is to maintain overnight rates slightly above 7.5 percent, a quarter of a percentage point above the June average, to encourage the year's upward momentum and reduce the chances of an inflationary surge.

Consumer Costs In U.S. Soared 0.5% in June

Compiled by Our Staff From Dispatches

WASHINGTON — U.S. consumer prices, fueled by sharp increases in food and gasoline costs, shot up 0.5 percent in June, more than double the rate of the past two months, the government said Wednesday.

The unexpectedly steep rise in the Labor Department's Consumer Price Index followed 0.2 percent increases in April and May. Through the first six months of the year, consumer prices rose at an annual rate of 5.9 percent, well above the 4.6 percent for all of 1989.

Analysts, who predicted a more modest rise of 0.3 percent in June, had expected inflation to continue to moderate as prices recovered from the first of the year, after a cold spell sent the costs of fruits, vegetables and energy up.

Robert Dederick, the chief economist at Northern Trust in Chicago, said the June increase was frustrating to the Federal Reserve Board's efforts to bring inflation under control.

"While inflation isn't really worsening, as this number would suggest, it isn't getting any better," he said. "We're sort of got the worst of both worlds, with a slow economy and a rate of inflation that is firmly entrenched."

In an interview on the Financial News Network, Steven Siffer, a Shearson Lehman Hutton economist, said the report was a "little disquieting."

"Any way you slice it," he said, "inflation this year seems to be running a little worse than last year."

In a related report issued Wednesday, the government said average weekly earnings after inflation — or the buying power of American workers — remained unchanged in June after advancing 0.2 percent in May.

And the Commerce Department reported that construction of new homes dropped for a fifth consecutive month in June, down 2.3 percent, to the lowest levels since the last recession. Housing starts had declined 0.5 percent in May.

The last time housing starts fell in five consecutive months was in 1981, deep in a recession, when they dropped from July through November.

In testimony Wednesday before the Senate Banking Committee, the chairman of the Federal Reserve, Alan Greenspan, said the Fed's monetary policy had "continued to be directed at sustaining the economic expansion while making progress toward price stability."

Nonetheless, prices for housing surged 0.6 percent in June after gaining 0.2 percent in May. Food and beverage prices shot up 0.7 percent, after inching up 0.1 percent in May, the department said.

Gasoline prices rose 2.5 percent in June after falling 1.6 percent in May.

The Consumer Price Index, in which 100 reflects the price of a basket of goods in 1982, ended June at 129.9.

(AP, UPI, Reuters)

Iraq Calls Overshooting Oil Quota an Act of War

Compiled by Our Staff From Dispatches

BAGHDAD — Iraq warned fellow OPEC members on Wednesday that it viewed violations of the cartel's production quotas as virtual acts of war, and accused tiny Kuwait of stealing its oil for the past decade.

It was the latest instance of belligerent behavior by President Saddam Hussein and marked a sharp escalation in Baghdad's campaign against fellow members of the Organization of Petroleum Exporting Countries that have been producing more oil than allowed by OPEC quotas. Kuwait and the United Arab Emirates have been the main targets of the campaign.

Foreign Minister Tariq Aziz, in a letter to the secretary-general of the Arab League, Cheddi Khali, accused Kuwait of stealing \$2.4 billion worth of oil and said it expected Kuwait to repay the money.

"The attempts by the governments of Kuwait and the United Arab Emirates to flood the oil market with extra crude are a premeditated and deliberate plan to weaken Iraq and undermine its economy and security," he said in the letter.

In Kuwait, the foreign minister, Sheikh Sabah al Ahmad al Jaber al Sabah, said he would immediately visit the leaders of Gulf Arab states to present Kuwait's position.

Q. How soon will we know which companies are going to survive?

A. At the beginning of September. Most companies will receive bank funds guaranteed by the government to pay for salaries and supplies in July and August. But after that companies must arrange for their own funding.

That is why politicians are talking about a tense autumn.

Q. Your institute is similar to many in the East bloc which did research for state planning commissions. What is your future?

A. In the past, we were fully financed by the government and we did research on projects chosen by the government.

In the future, we hope that about two-thirds of our budget will come from government projects, which is also true of many of the large West German institutes, and the rest we will earn by ourselves.

CURRENCY RATES

Cross Rates	July 18
Australian dollar	1.5375
British pound	1.6425
Canadian dollar	0.7125
French franc	6.5450
German mark	1.3625
Italian lira	2.0375
Japanese yen	163.75
Netherlands guilder	2.2025
New Zealand dollar	0.6825
Portuguese escudo	200.48
Spanish peseta	166.64
Swedish krona	8.4625
Swiss franc	1.4825
Taiwan dollar	24.6375
Thai baht	50.3375
West German mark	1.3625
Yen	163.75

Changes in London and Zurich. Rates in other countries. New York closing rates. Toronto rates of 3 p.m. or 7 p.m. as noted. * To buy one pound; * To buy one dollar; * Units of 100; N.A. not available.

Other Dollar Values	July 18
Australian dollar	0.6475
British pound	0.60375
Canadian dollar	0.28125
French franc	0.26125
German mark	0.48125
Italian lira	0.08125
Japanese yen	0.0075
Netherlands guilder	0.04125
New Zealand dollar	0.02625
Portuguese escudo	0.008125
Spanish peseta	0.0064
Swedish krona	0.034375
Swiss franc	0.0064
Taiwan dollar	0.010125
Thai baht	0.0020625
West German mark	0.48125
Yen	0.0075

Forward Rates
Currency 30-day 60-day 90-day 12-month
Pound sterling 1.6425 1.6425 1.6425 1.6425
Swiss franc 1.4825 1.4825 1.4825 1.4825
Japanese yen 163.75 163.75 163.75 163.75
German mark 1.3625 1.3625 1.3625 1.3625
French franc 6.5450 6.5450 6.5450 6.5450
Italian lira 2.0375 2.0375 2.0375 2.0375
Spanish peseta 166.64 166.64 166.64 166.64
Portuguese escudo 200.48 200.48 200.48 200.48
New Zealand dollar 0.6825 0.6825 0.6825 0.6825
Australian dollar 1.5375 1.5375 1.5375 1.5375
Canadian dollar 0.7125 0.7125 0.7125 0.7125
Taiwan dollar 24.6375 24.6375 24.6375 24.6375
Thai baht 50.3375 50.3375 50.3375 50.3375
West German mark 1.3625 1.3625 1.3625 1.3625
Yen 163.75 163.75 163.75 163.75

Sources: Reuters (London); Bank of America (New York); Bank of Canada (Toronto); IMF (SRI); Deutsche Bank (Frankfurt); Other data from Reuters and AP.

INTEREST RATES

Eurocurrency Deposits	July 18
1 month	8.50%
3 months	8.75%
6 months	9.00%
1 year	9.25%

Sources: All Reuters except ECU; Lloyd Bank. Rates applicable to interbank deposits of \$1 million minimum (or equivalent).

Key Money Rates	July 18
United States	5 1/8%
Discount rate	7 1/8%
Prime rate	10 1/8%
Federal funds	7 1/8%
Call money	7 1/8%
3-month Treasury bill	7 1/8%
6-month Treasury bill	7 1/8%
9-month Treasury bill	7 1/8%
1-year Treasury bill	7 1/8%
3-month CD	7 1/8%
6-month CD	7 1/8%
9-month CD	7 1/8%
1-year CD	7 1/8%

Sources: Reuters, Solomon Brothers Bank of Tokyo, Commercial Bank, Credit Lyonnais.

Asian Dollar Deposits	July 18
1 month	8 1/8%
3 months	8 1/8%
6 months	8 1/8%
1 year	8 1/8%

Sources: Reuters.

U.S. Money Market Funds	July 18
Merrill Lynch Realty Assets	7.75%
30-day average yield	7.75%
Telcelis Money Rate Index	7.75%

Sources: Merrill Lynch, Telcelis.

GOLD	July 18
Spot	329.25
1 month	329.25
3 months	329.25
6 months	329.25
1 year	329.25

Sources: Reuters.

EC Launches Inquiry Into State-Aid Projects

The Associated Press

BRUSSELS — The EC Commission Wednesday opened investigations into several instances of state aid to industries that could violate rules of competition.

The inquiries concern aid given to industries by the Belgian, Spanish, French and Italian governments.

The Commission was looking into a Belgian government aid package of 118.58 million Belgian francs (\$3.45 million) to the chemical company Solvay & Co.

It was also looking at two separate state aid issues made through the Patrimonio del Estado branch of the Spanish Treasury.

The Spanish state-owned textile manufacturer Hysasa SA, now being sold to the public, issued shares to raise over 7.1 billion pesetas (\$71 million), while the footwear and leather goods maker Impel SA,

also just privatized, issued shares to raise 2.7 billion pesetas.

French government aid to the glass-maker Compagnie de Saint-Gobain of 32 million French francs (\$5.8 million) is also being investigated. Saint-Gobain used the money to build a production unit.

The Commission also announced an investigation into the Italian paper and forestry sector. It noted that it had already criticized the taxes imposed by the Italian government on imported paper and forestry products.

In a separate development, the Commission said it had ended investigations into state aid to three companies.

It ruled that a 10-year electricity contract between the French state-owned Electricite de France and the specialty metals maker Groupe Usinor-Sacilor did not distort competition.

German Unity's Worst Threat Is to Jobs

Konrad Wetzker is chief of East Germany's largest economic institute, which formerly operated largely as an arm of the state planning commission. Like many East German government units, it is cutting back its staff and venturing into the private sector with hopes to operate along the lines of a Western think tank. He spoke recently with Richard E. Smith of the International Herald Tribune.

Q. Monetary union so far seems to be going smoothly. What do you see as the largest problem?

A. Unemployment is the major danger, but we estimate that it will peak between 500,000 and one million and then begin to improve in the course of next year.

Q. Many analysts are estimating between one and three million people. Why are you so optimistic?

A. The government cannot stand still when unemployment approaches one million. For the sake of social stability, it could launch

temporary employment programs in the public sector and add new incentives for the private sector if necessary. There are many possibilities to employ people in the restructuring and improvement of telecommunications, transport and energy.

It is also not in the interest of politicians to have too many unemployed before the national elections in December.

Q. Is Western industry investing enough to create new jobs?

A. So far hardly anything has been actually invested. There have only been agreements in principle and declarations of intention.

But things will change now that we have the Deutsche mark. Investors know what they're spending and have an idea what they will be getting in return.

Also the question of property has been basically settled in state treaties so that from now on it is only a technical question of working out the details.

Q. How soon will we know which companies are going to survive?

A. The two major points of insecurity were money and property. With both of those largely settled, the way has been prepared for everyone.

There are many openings for small companies in the service industries in particular.

Q. What sectors of East German industry will have the largest problems?

A. Industry branches like textiles, which mass-produced consumer goods, will have trouble competing with Western goods and may nearly disappear.

Machinery makers, on the other hand, will get an infusion of Western high technology and will at the same time have loyal customers in the East bloc. They have long depended on East German machinery with standards and parts, which the West will not be able to soon replace.

Q. Your institute is similar to many in the East bloc which did research for state planning commissions. What is your future?

A. In the past, we were fully financed by the government and we did research on projects chosen by the government.

In the future, we hope that about two-thirds of our budget will come from government projects, which is also true of many of the large West German institutes, and the rest we will earn by ourselves.

Holland & Holland: Can Chanel's Shotgun Marriage Work?

By Thomas Grose
Special to the Herald Tribune

LONDON — The Victorian-era factory stands like a bleak warhorse in a steady portion of north London, little changed nearly 100 years after it opened.

Inside the dank, drafty building, the atmosphere is out of Dickens. Craftsmen and artisans ply their trade amid time- and oil-blackened wood benches and floors, turn-of-the-century machines and coal fires. Only the lack of steam engines and overhead pulleys reminds a visitor that he remains in the 20th century.

The factory is owned by Holland & Holland Ltd., the 156-year-old British sporting gun manufacturer.

From this slow-moving, anachronistic assembly line come what many would describe as the world's finest sporting guns — favored by the wealthy upper crust of the sport-shooting fraternity, from British royalty to American captains of industry to Arab princes.

The guns are sold at premium prices, along with other accoutrements of the hunting and shooting life, 15 miles to the south at the Holland & Holland shop in Mayfair. The gun room, as employees refer to it, is a tweedy affair that

reeks of British upper-class country life, of old boys and school ties.

Staid and hushed, it is a setting befitting Holland & Holland's conservative image.

So when Chanel, the French manufacturer of women's scents, clothes and accessories, bought Holland & Holland last July for \$10.9 million (\$18.5 million), the move not only raised eyebrows in the British hunting and shooting community, but turned heads in London's financial district.

The hunting set wondered what a French perfume

July 18, 1997

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MARKET DIARY

Dow Backs Away From 3,000 Level

United Press International

NEW YORK — Prices closed lower Tuesday in active trading on the New York Stock Exchange as profit taking and news of surprisingly high consumer prices pulled the market down.

The Dow Jones industrial average fell 18.07 points to 2,981.68. Among broader market gauges, the New York Stock Exchange composite index fell 1.66 to 198.83 and Standard & Poor's 500-stock index fell 3.90 to 364.22. The price of an average share dropped 29 cents.

Declines led advances by about a 9-to-4 ratio. Volume totaled 168.76 million shares, down from 176.79 million shares traded on Tuesday.

Dollar Closes Mixed On Greenspan Remark

Reuters

NEW YORK — The dollar ended mixed Wednesday in New York after volatile trading prompted by the U.S. Federal Reserve chairman's testimony before Congress.

Alan Greenspan's comments before the Senate Banking Committee caused confusion in the market and the dollar was lower in early trading. But it rose from morning lows in short covering as the market settled on the view that the Fed, with its central bank, was not likely to ease credit in the short term.

The dollar ended at 1.6480 Deutsche marks, a slight rise from 1.6440 at the close on Tuesday, and at 147.755 yen, down from 147.845.

The British pound eased to \$1.8160 from \$1.8165.

The U.S. currency rose to 1.4155 Swiss francs from 1.4045 and to 5.5285 French francs from 5.5150.

Earlier in London, dealers said that the remarks by Mr. Greenspan indicated that there was some possibility of further lowering of interest rates in the United States.

The dollar ended in London at 1.6435 Deutsche marks, down from 1.6505 at the close on Tuesday, and at 147.45 yen, down from 148.23. It had touched the day's trading low of 1.6360 DM and 146.90 yen after Mr. Greenspan's remarks to the Senate Banking Committee.

The British pound closed at \$1.8140, up from \$1.8085 at Tuesday's close.

The dollar ended at 1.4095 Swiss francs, almost unchanged from 1.4093, and at 5.5225 French francs, down from 5.5365.

Tim Fox, an economist at Midland Montagu, said Mr. Greenspan's comments had not been clear and added, "He seems to adopt a flexible approach."

Masaru Takahashi, an assistant manager at Fuji Bank, said, "I don't think Greenspan is considering cutting federal funds rates further so soon after Friday's easing."

But he said the market had noted that Mr. Greenspan had not dismissed the possibility.

RATES: Greenspan Links Deficit to New Interest Cuts

(Continued from page 1)

The actions required will depend on the constellation of other influences on the economy, the nature and magnitude of the fiscal policy package, and the likely timing of its effects. I can only offer the assurance that the Federal Reserve will act, as it has in the past, to endeavor to keep the economic expansion on track.

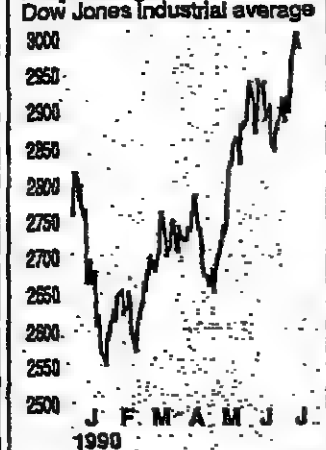
Although the Fed left its monetary target for M-2 unchanged at 3 to 7 percent, Mr. Greenspan disclosed that it was lowering the target for M-3 by one percentage point from last July to 2.5 to 6.5 percent.

He explained that the disappearance of so many savings and loans changed the financial system, and that they must be replaced as lenders by the commercial banks. The Fed, he said, would watch closely to determine whether more easing was needed.

"I would not call this change a 'credit crunch,' as those words con-

The Dow

Daily closings of the Dow Jones Industrial average



NYSE Most Active

Vol.	High	Low	Last	Chg.
United	100.24	99.74	99.74	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04

NYSE Daily

Vol.	High	Low	Last	Chg.
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04

NASDAQ Daily

Vol.	High	Low	Last	Chg.
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04
Amgen	20.14	19.94	19.94	-0.04

Dow Jones Averages

Open High Low Last Chg.

Index	Open	High	Low	Last	Chg.
Indust	2993.36	3004.85	2981.68	2981.68	-18.07
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

Standard & Poor's Indexes

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

NYSE Indexes

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

AMEX Stock Index

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

Dow Jones Bond Averages

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

Market Sales

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

M.Y.S.E. Odd-Lot Trading

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

Certain offerings of securities, financial

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

The International Herald Tribune assumes

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

Currency Options

PHILADELPHIA EXCHANGE July 17

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

Standard & Poor's Indexes

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

NYSE Indexes

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

AMEX Stock Index

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

Dow Jones Bond Averages

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

Market Sales

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

M.Y.S.E. Odd-Lot Trading

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

Certain offerings of securities, financial

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

The International Herald Tribune assumes

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

European Commodities

LONDON SUGAR July 17

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

Standard & Poor's Indexes

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

NYSE Indexes

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

AMEX Stock Index

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

Dow Jones Bond Averages

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

Market Sales

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

M.Y.S.E. Odd-Lot Trading

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

Certain offerings of securities, financial

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

The International Herald Tribune assumes

Index	Open	High	Low	Last	Chg.
Indust	100.24	100.24	100.24	100.24	-0.04
Transp	100.24	100.24	100.24	100.24	-0.04
Comp	100.24	100.24	100.24	100.24	-0.04

Results Mixed at Defense Companies

ST. LOUIS (AP) — General Dynamics Corp. on Wednesday reported

a \$240 million loss for the second quarter after a \$500 million charge attributed to cost overruns in the second defense program. The company had a profit of \$58.4 million in the same period last year. Sales rose to \$2.6 billion from \$2.5 billion.

Meanwhile, the nation's largest defense contractor, McDonnell Douglas Corp., reported a profit of \$57 million for the quarter on sales of \$4.12 billion. That compares with a loss of \$48 million for the same period last year on sales of \$3.37 billion.

The good news came in the wake of Monday's announcement that the company was planning to cut its workforce by up to 11 percent this year and trim other expenses in an effort to save \$700 million.

Northrop Corp. reported a profit of \$29.3 million in the period, compared with a loss in last year's quarter of \$78.1 million. Sales were almost flat at \$1.41 billion.

IBM Talks on Sale of Units Reported

NEW YORK (Reuters) — International Business Machines Corp. is

EC Study Urges Pooling In Aerospace Industry

By Barry James
International Herald Tribune

The EC Commission, more committed to trust-busting than encouraging monopolies, called in a report released Wednesday for closer cooperation among European aerospace companies.

It said it would look favorably on cross-border mergers and takeovers even if this meant the concentration of sectors of the industry in the hands of a single company.

The Commission said the fragmented nature of the aerospace industry in Europe, which employs about 500,000 people, impedes its ability to compete with U.S. rivals.

The report suggested the time is ripe for a rethinking of the industry's future because the reduction of tensions in Europe means that aerospace companies must now consider how they can convert to civilian production.

While military manufacturing is funded by governments and entails duplication of effort, civil aerospace development requires pooling of research and development, the report said. The industry is characterized by a small number of suppliers and a large number of powerful customers, which are able to exert a strong downward pressure on prices, it added.

A spokesman for Martin Beggemann, the commissioner for industry and sponsor of the report, said that if European aerospace companies fail to establish closer links, "they will be the losers, because none of them is strong enough to provide the necessary R&D funding or the necessary industrial base."

The spokesman, Willy Heilmann, said the Commission is not trying to discourage competition, but, on the contrary, it wants EC companies to be more capable of competing against strong rivals in the global market.

The report said that by pooling resources, the European companies would be able to expand their product lines and achieve economies of scale. It estimated that it costs 40 percent less to produce an aircraft in a production run of 1,000 than in one of 250.

The three major European aerospace companies — British Aerospace PLC, Aerospatiale of France and Messerschmitt-Bölkow-Blohm GmbH of West Germany — already pool efforts with Construcciones Aeronauticas SA of Spain in the four-nation Airbus consortium.

Airbus Industrie has approximately 20 percent of the world market for medium- and long-haul commercial jets.

The Commission called for similar cooperation among manufacturers of regional and business aircraft, light aircraft and civilian helicopters. These companies are primarily national.

The report, which looks to the establishment of a single market after 1992, will be debated by EC industry ministers at their next meeting Sept. 21.

The report said that pooling resources would allow companies to adopt EC company statutes, simplified tax regimes, common industrial norms and joint certification procedures, enabling them to compete with U.S. rivals.

The U.S. government frequently has alleged that Airbus Industrie is unfairly subsidized. The EC retorts that U.S. airplane manufacturers have long enjoyed Pentagon contracts that indirectly subsidize the building of commercial aircraft.

The Commission estimated that government subsidies to EC aircraft manufacturers totaled \$17.5 billion in 1988, compared with almost \$71 billion in the United States.

EC Worried Boom Is Tailing Off For Europe's Car Sales

Reuters

TOKYO — A top EC Commission official said Wednesday that he was concerned about a sudden rise in the European Commission's trade deficit with Japan in June while the U.S. deficit with Japan continued to narrow.

Simon Nuttall, the commission's director for relations with China, Japan and the Far East, took part this week in EC-Japan discussions aimed at cutting the EC's deficit.

In June, the deficit was \$1.59 billion, up from \$1.53 billion, the first widening of the gap after 17 months of contraction.

"We are a little worried about the future," Mr. Nuttall said. "Strong demand will continue in the EC ahead of the single market in 1992. We must keep a close watch on this."

He said the deficit widened because of the weak yen, strong EC demand and the narrow base of EC exports to Japan.

In Monday's EC-Japan talks, EC Commission officials and representatives from Japanese ministries focused on two areas where the EC wants lower tariffs on its exports — leather and leather shoes, and processed food.

Mr. Nuttall said that while EC demands were not met, he was encouraged by Japanese recognition of the EC's need to aid its leather industry.

LONDON — Car sales in Western Europe fell 10 percent in June, extending this year's erratic pattern and suggesting that five consecutive years of growth may be ending, an industry newsletter said on Wednesday.

June's drop, after a 3.7 percent rise in May and a 2.2 percent fall in April, took sales for the first half of 1990 to 7.21 million units, 0.4 percent lower than the year earlier, according to provisional figures from Automotive Industry Data.

Volkswagen AG continued its market domination despite a slower domestic market and raised its market share to 15.2 percent in the first half from 14.7 percent, extending its lead over Italy's Fiat SpA, which had a 14.9 percent share.

Japanese car makers raised sales 3.4 percent in the first half of 1990 against the first half of 1989 to take an 11.1 percent of the Western European market, up from 10.7 percent.

European car sales have grown from 10.5 million in 1985 to last year's record 13.4 million. Analysts say the result for 1990 depends on strength in West Germany, Europe's biggest market, outweighing chronic weakness in Britain and Spain.

"The striking aspect of the June figures was the sudden weakness of the remaining major markets, France and Germany," Automotive Industry Data said in its bi-monthly news letter.

Sales in West Germany fell 6.7 percent in June, the newsletter said, but still showed a 2.8 percent gain for the first six months. French sales slumped 8.9 percent in June but were a healthy 5.4 percent ahead for six months.

But Susanne Oliver, European motor analyst at the brokerage Hoare Govett, warned against reading too much into one month's figures. She said that if June sales figures were adjusted for the number of selling days — 20 compared with 22 the year earlier — sales actually rose 1.2 percent this June.

Sales in Britain, its economy struggling under high interest rates, fell 18.3 percent, its eighth monthly fall in a row.

"The trading pace across most of Europe also slowed sharply in June and the intensity of the slowdown surprised many analysts, yet major car makers in Europe remain cautiously optimistic about the rest of the year," the newsletter said.

It added that General Motors Corp.'s Vauxhall and Opel subsidiaries were impressive performers in the half year, while the luxury maker BMW's Mercedes-Benz, British Aerospace PLC's Rover and particularly AB Volvo saw market shares ebbing away.

Deutsche To Grow In East

Bank Seeks 100% Of Kreditbank

Agence France-Press

FRANKFURT — West Germany's leading private bank said Wednesday that it planned to take 100 percent control of its East German partner by the end of the month.

Deutsche Bank holds a 49 percent stake in Deutsche Bank-Kreditbank, created from the East German state-owned Kreditbank. The rest is owned by Kreditbank and other East German enterprises.

But Deutsche Bank plans to acquire full control of the East German operation "before the end of July" through a capital increase, said a board member, Georg Krupp.

He would not give the value of the capital increase. Deutsche Bank-Kreditbank is capitalized at 300 million Deutsche marks (\$182 million).

Deutsche Bank-Kreditbank began operating July 1, when German economic and monetary union took effect, so if the West German bank manages to move to total control by the end of the month, things will have moved particularly fast.

Mr. Krupp, responsible for Deutsche Bank's East German operations, said the bank already had 65,000 private clients in East Germany and their numbers were increasing at the rate of 5,000 a day.

But while Deutsche Bank is wooing East German depositors, it is not as anxious to welcome the many large businesses there that are weak and in need of loans.

"That is the responsibility of the state," Mr. Krupp said, adding that he feared that state-guaranteed loans to huge East German enterprises would only keep them going for the next three weeks.

West German banks are cautious about lending to huge East German enterprises. But they are showing more confidence in small businesses, to which Deutsche has loaned 600 million DM, Mr. Krupp said.

Investor's Europe

Investor's Europe				
Frankfurt	London	Paris		
Commerzbank	F.T. 100 Index	C.A.C. 40		
2500	2450	2200		
2400	2350	2100		
2300	2250	2000		
2200	2150	1900		
2100	2050	1800		
F E M A M J J	F E M A M J J	F E M A M J J		
1990	1990	1990		
Exchange	Index	Wednesday Close	Prev. Close	% Change
Amsterdam	CBS Trend	121.50	121.80	-0.25
Brussels	Stock Index	6257.23	6262.11	-0.08
Frankfurt	Commerzbank	2400.80	2359.30	+1.78
Frankfurt	DAX	1965.57	1929.00	+1.90
Helsinki	UNITAS	533.80	532.70	+0.21
London	Financial Times 30	1900.60	1912.50	-0.64
London	FT-SE 100	2402.00	2415.00	-0.54
Madrid	General Index	303.45	308.11	-1.51
Milan	MIB	1089.20	1074.40	+1.38
Paris	CAC 40	2029.60	2019.50	+0.50
Stockholm	Affarsvarlden	1341.20	1345.40	-0.31
Vienna	Stock Index	712.42	713.82	-0.20
Zurich	SBS	600.00	604.00	-0.66

NASDAQ prices as of 4 p.m. New York time.
This list compiled by the AP, consists of the 1,000
most traded securities in terms of dollar value. It is
updated twice a year.

T-O-V		W-X-Y-Z	
1	1	1	1
2	2	2	2
3	3	3	3
4	4	4	4
5	5	5	5
6	6	6	6
7	7	7	7
8	8	8	8
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94	94	94	94
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99	99	99	99
100	100	100	100

50% off the newsstand price.

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Wednesday's Closing
Prices include the nationwide prices up to closing on Wall Street and do not reflect prices elsewhere. Via The Associated Press

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953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MEX



SINGAPORE

Banking Linked to Economic Expansion

More than any other aspect of Singapore society, the world of banking and finance has changed beyond recognition in the last quarter century.

On the eve of independence in 1965, Singapore had a minuscule economic base compared with today's. Banking was elementary and had progressed little beyond the basic system installed by the British. Merchant banking was concerned primarily with providing short-term loans to small trading companies so that they could purchase goods to

long-term funds at low interest rates for industrial development. Within 18 months, DBS has devoted over a quarter of a billion dollars to nearly 100 industrial ventures. This kicked off Singapore's first great manufacturing boom.

Later in 1968, Singapore became the headquarters of the fledgling Asian Dollar Market (ADM), established as both a depository and disseminator of investment money in the region.

Even after the first few years, the amount circulating in the ADM was still very small, only about \$30 million. Yet the government did not throw in the towel: It kept pushing the concept and eventually succeeded. Today, ADM is worth more than \$340 billion. It grew by more than 20 percent last year on the basis of increased volume of lending and deposits to institutions outside Singapore.

"Way back, the government realized that Singapore on its own is really very small, and, therefore, potential is somewhat limited if the financial services sector for industry is to grow," says Fock Siew Wah of OUB. "One has to give credit to the government. They had the initiative to realize the regional market potential for starting the Asian Dollar Market and for having the energy and dedication to further actively develop the market over the years."

The precedent set by DBS and the establishment of the Asian Dollar Market opened up the doors for the growth of private banks in Singapore. At the time of independence, there were no more than 35 or 40 banks. Now there are 137 banks alone, plus hundreds of financial support companies.

Since independence, Singapore's gross domestic product has soared from \$2.2 billion to \$30 billion. The financial and business services industry has contributed a whopping 29 percent to that GDP growth.

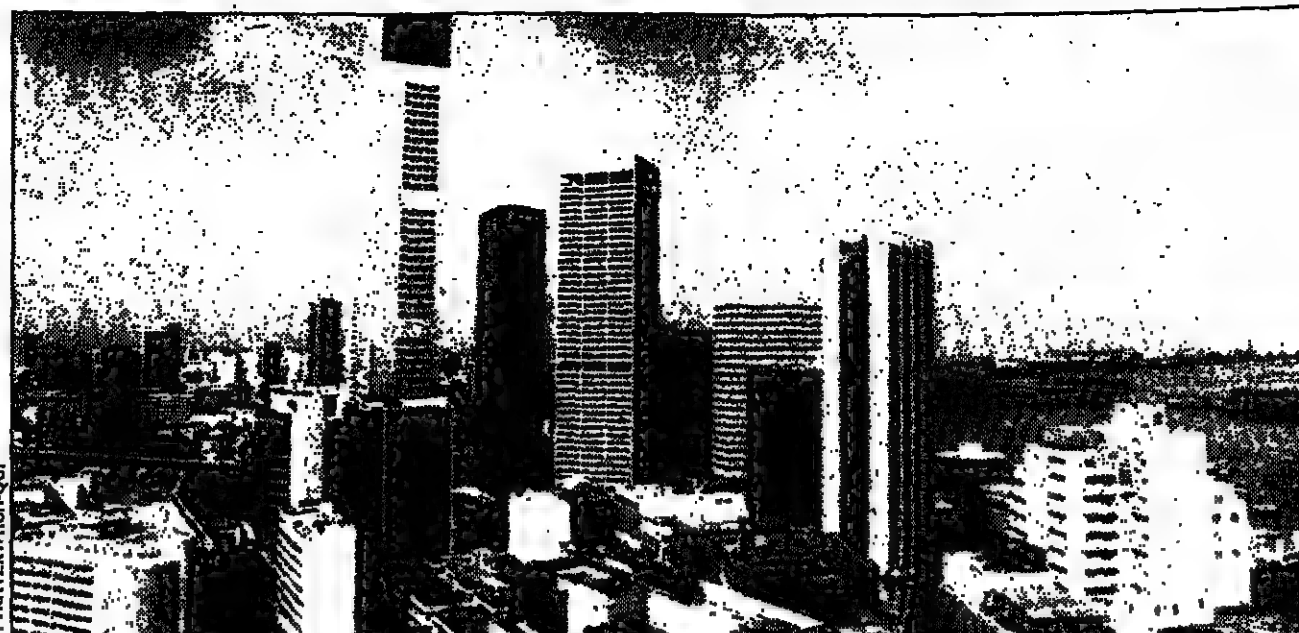
Back in 1965, the financial sector represented a mere 4 percent of GDP; by 1969 that share had risen to 13.4 percent.

"Our rapid economic growth wouldn't have been possible," says Fock Siew Wah. "You realize that business would not have grown the way it has over the years if not for the fact that banking has developed alongside, providing the necessary expertise and financing."

Once manufacturing took over from trade in the early 1970s, financing requirements shifted from purely short-term to medium- and long-term in order to fund business projects with a longer gestation period. Banks became responsible for the financing of the entire industrial process, from building factories and buying raw materials to the distribution of finished products.

By the late 1980s, when Singapore experienced its second great industrial boom, the banking sector had evolved all the infrastructural supports essential for the development of a truly international financial center. These included numerous offshore banks, fund management services, a financial future market called SIMEX, a large foreign exchange market, a gold market, the Singapore Government Securities Market (SGSM) and the highly successful Stock Exchange of Singapore (SES).

Perhaps the enormous growth and increasingly high-tech nature of the Singapore Stock Exchange is the best example of how the financial sector has evolved over the last 25 years. In 1965, the exchange was situated in the old Clifford Center. Brokers posted bids and offered quotes on a huge chalkboard at the front of the trading room. The local body did not split from the old Stock Exchange of Malaysia and Singapore until 1973.



The banking and financial sector's skyline has evolved as dramatically as its economy.

In July 1988, a partially computerized system was used on the old trading floor for primary trading business. But a revolutionary high-tech Central Limit Order Book System (CLOBS) was implemented for secondary trading. CLOBS matches and executes share transactions via computer while simultaneously time-stamping and storing details.

"We had both systems running at the same time, side by side," says Peter Chia, public affairs manager of the stock exchange. "Brokers could see which was more efficient. In fact, it was the brokers who pushed the exchange for a fully computerized system. So in a sense, the innovation was customer driven."

Within seven months of its introduction (March 1989), CLOBS took over completely from the 300 "trade boys" who scurried around the floor buying and selling stocks. Singapore became the first fully computerized, "floorless" stock exchange in Asia. The old trading room was taken over by the SIMEX, and the stock market moved to ultramodern headquarters in the UOB Building in Raffles Place.

The previous maximum trade volume was 85 million shares per day. Since CLOBS came into operation, volume has increased to 120 million shares per day. Earlier this year, it rose to 240 million shares per day.

"Trading 240 million shares was almost physically impossible before," says Chia.

Three interrelated factors point to continued sharp growth in the banking and finance sector. Singapore has a stable government that is dedicated to free trade, pro-business in outlook and committed to providing a conducive environment for businesses to thrive in. At the same time, more multinational corporations continue to relocate their manufacturing operations and regional operational headquarters to Singapore. The economy of East Asia as a whole continues to boom beyond all expectations, and intra-regional investment flows are increasing at a rapid rate.

"The local banks, including the UOB Group, have all along supported the government's economic plans," says Wee Cho Yaw of UOB. "Our future role will continue to be

based on this fundamental principle of supporting and complementing the government's growth strategies. As Singapore moves into more high-tech industries as well as service industries, the banks will have to expand their business in these two areas. At the same time, in conjunction with the government's global strategies, Singapore banks will be extending their overseas business, both in terms of setting up overseas offices as well as more active participation in the money markets," he says.

The government decided in late June to raise the ceiling on foreign ownership of local banks to 40 percent. Bankers welcomed this move, saying it would bring greater liquidity to the stock market.

"I see the future to be a bright one," says Fock Siew Wah of OUB. "I think the financial sector here will continue to grow in a very positive manner. It will certainly become a lot more sophisticated. It will certainly be able to do a lot more complex transactions that will meet the requirements of clients as they come up."



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SINGAPORE CHANGI AIRPORT

A QUARTER CENTURY OF BANKING & FINANCE

Fueling the Foreign Investment Rush

In the mid-1960s, Britain had a veritable monopoly on foreign investment in Singapore. Japan was busy rebuilding its own economy; the United States was investing elsewhere.

The largest overseas investor at that time was Shell, the Anglo-Dutch oil giant that had realized the vast potential of Singapore back in 1891 when

(US\$866 million) was directly invested in the Singapore economy by overseas interests. Of that, Japan contributed \$541 million (28 percent) and the U.S. \$520 million (27 percent).

Electronics: lion's share of investment

it established a kerosene depot on Bukom island to supply the gas lamps of British Malaya. By 1965, this tank farm had grown into the largest petrochemical complex in Southeast Asia.

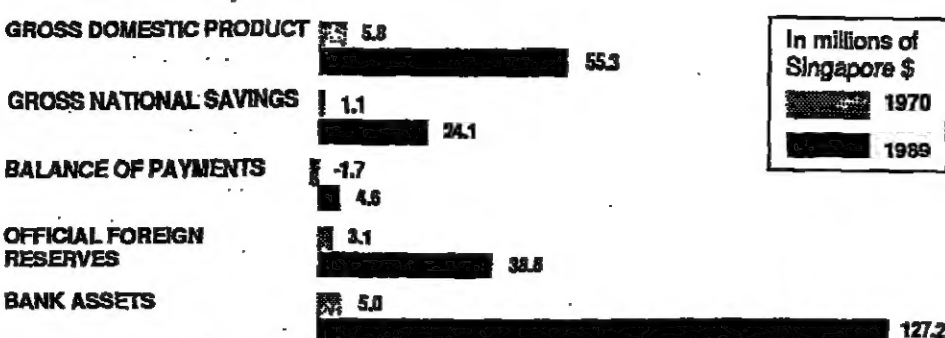
Twenty-five years after independence, Shell and the British are still influential in Singapore. But their financial contribution has been transcended by that of the Americans and the Japanese. Last year, \$51.6 billion

It is not hard to figure out why foreign money is pouring into Singapore: the island republic offers a remarkable return on investment.

The U.S. government says that Singapore is the most profitable place in Asia for U.S. firms, and the third most lucrative in the world. Commerce Department data released in April show that every U.S. manufacturing dollar invested in Singapore pays a dividend of 40.5 cents, compared to 29.8 cents in South Korea, 27.1 cents in Hong Kong,

FINANCIAL SINGAPORE, THEN AND NOW

Within the last two decades, the establishment of new banks and the restructuring of the financial sector, coupled with the development of business, have led to Singapore's incredible economic growth.



Source: Ministry of Trade & Industry

24.8 cents in Taiwan and 19.9 cents in Japan.

Cumulative foreign investment in Singapore totaled \$22.7 billion at the end of 1989. The United States tops the table of all-time investors with \$5.7 billion, followed by Japan (\$4.1 billion), Britain (\$3.8 billion) and Holland (\$3.6 billion).

Petrochemicals are still an important mode of foreign funding, but they no longer dominate the Singapore economy. The current trend, following a strategy devised by the Economic Development Board (EDB), is toward a

diverse range of manufacturing investments.

Carnation, Nestlé and Nabisco are making food products in Singapore. Bethlehem Steel turns out offshore oil rigs; Hitachi builds ships. General Electric and Pratt & Whitney produce turbofan aircraft engines or components. Black and Decker makes household appliances.

Despite the diversification drive, the electronics industry claimed the lion's share of foreign investment (\$5943 million in 1988).

Thomson Consumer

Electronics of France already makes audio, video and television equipment on the island and has a new \$150 million joint venture with Toshiba to produce one million integrated VCRs a year. Compaq Computers will invest a further \$150 million in its Singapore operations by the end of 1991. Du Pont recently announced plans to invest \$2 billion in Singapore operations over the next decade, which will transform the island republic into the company's regional manufacturing and distribution center.

Esso is set to pump \$1.1 billion into new ventures over the next 10 years, while Caltex has set aside \$200 million for Singapore projects. Shell is developing a \$480 million long-residue catalytic cracker facility, and Mobil will invest \$200 million in a medium-pressure hydrocracker plant.

BASF has also earmarked Singapore as its regional base. The West German chemical giant is finalizing plans to invest up to \$112 million in a regional headquarters. Another new chemical company presence is Kurachi of Japan, which is building a \$360 million plastics factory on Pulau Ayer Merbau island as part of a joint venture with Rohm & Haas chemicals of the U.S.

According to EDB Chairman Philip Yeo, Singapore is most interested in attracting "investments that can generate a high standard of living and challenging jobs."

The EDB will also try to maintain the balance in funding sources, with equal proportions coming from the United States, Japan and Europe.

This advertising section was written by Joe Yogerst, a Hong Kong-based free-lance writer.

The next installment in the series of advertising sections on Singapore will appear on August 9 and will focus on urban planning.



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Property: The Expensive Price of Independence

"Who would ever have dreamed 25 years ago of paying \$32.5 million (US\$1.35 million) for an apartment? But today, it's done just like that," says Edmund Tie, managing director of Jones Lang Wootton, "without batting an eyelash."

Mr. Tie is in a good position to judge the progress of the Singapore property market since the republic's independence. He broke into the real estate business in 1965, and over the years has risen to a managerial position in one of the nation's largest commercial and residential property firms.

"Back in the early 1960s, there wasn't a property market as we know it today," recalls Mr. Tie. "It was very much driven by local end-user requirements. People built primarily for their own occupation."

Not even a crystal ball could have predicted the phenomenal growth — and worrisome ups and downs — that Singapore property has seen over the last 25 years.

Prices are the best barometer of how dramatically the situation has changed. In the late 1960s, the highest rental for prime commercial office space was \$81.80 per square foot. Today, the asking price is \$512-13 per square foot.

During the time immediately following independence, terraced houses and semi-detached homes sold for \$30,000 to \$50,000. Today, the average price is \$450,000 to \$800,000 for terraced houses and \$750,000 to \$1 million for a semi-detached home.

A new factor in the commercial market is Singapore's widespread rede-

velopment of historic buildings such as shophouses. Originally, these buildings combined the workplace, on the ground floor, with the family living quarters upstairs. Refurbished shophouses are being snapped up quickly by small firms that view them as pleasant places of employment as well as good long-term investments. They are especially popular with creative businesses such as advertising, marketing, public relations and photography companies, as well as art and antique galleries.

The vast majority of the population lived in old-style shophouses or in "kampong" villages before independence was

declared. One of the young government's first priorities was to create affordable public housing. Huge new towns built by the Housing Development Board (HDB) began to replace the shophouses and kampongs. Then, in the 1970s, Singapore's first economic boom ushered in the era of high-rise condominium living.

"With a more affluent society," says Mr. Tie, "expectations were obviously higher. So the question of residential property investments came into being."

The domestic market also took a downturn during the recession, but rebounded strongly in the

late 1980s. Low interest rates, attractive housing loan terms and the fact that people could utilize their Central Provident Fund (CPF) to purchase homes, contributed to the speedy recovery. Over 70 percent of Singaporeans now own their own homes — one of the world's highest rates.



Edmund Tie of Jones Lang Wootton.

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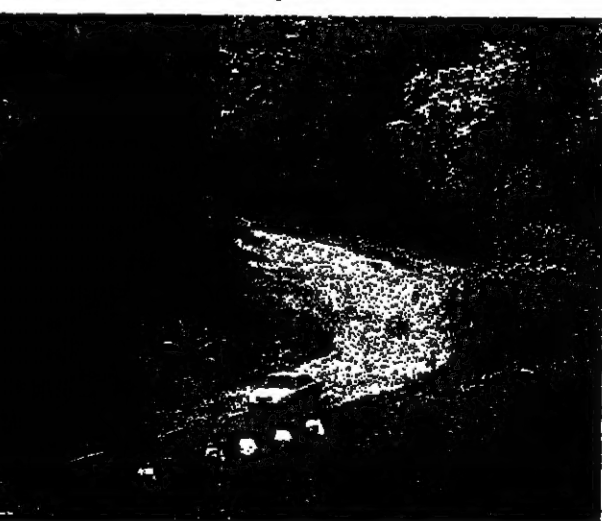
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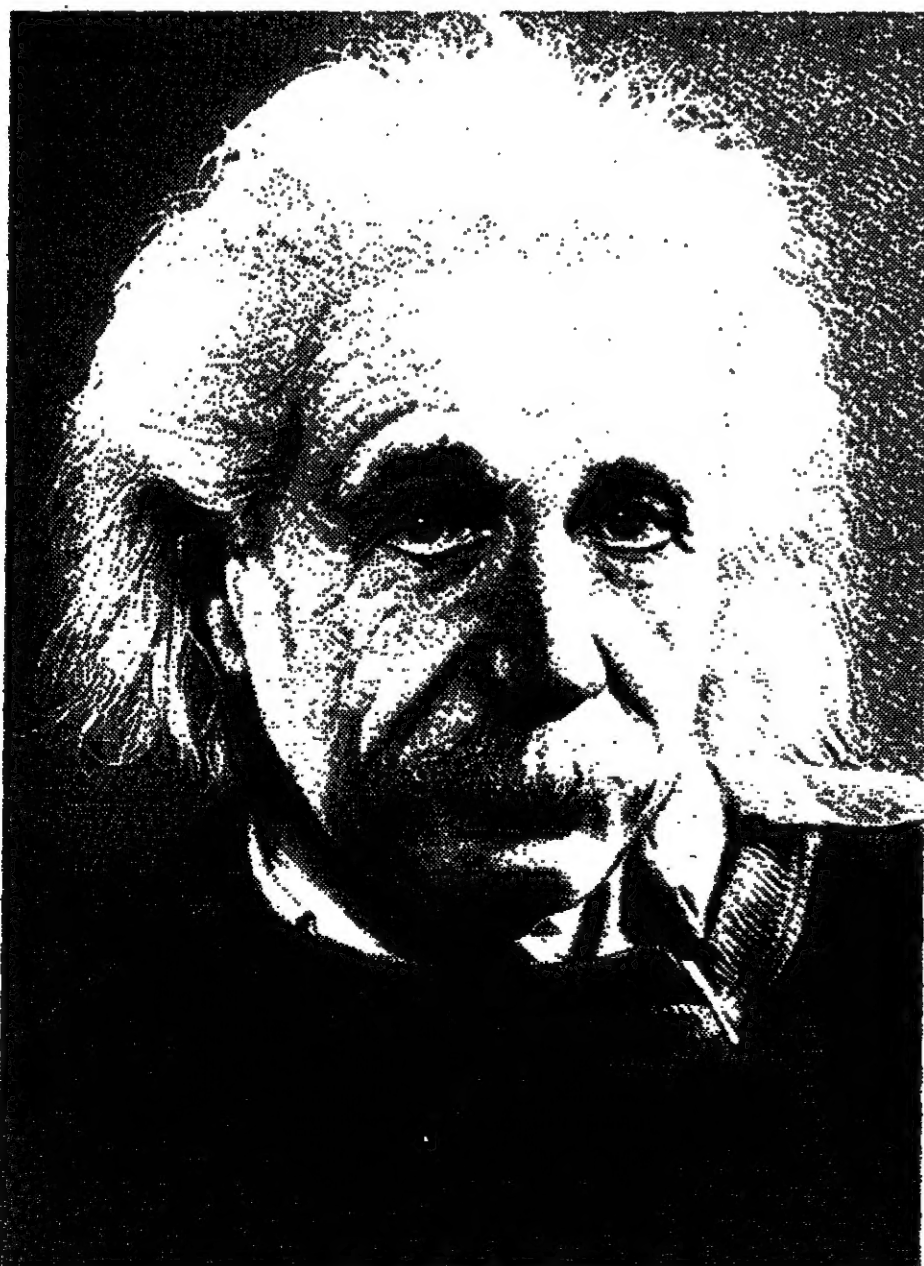
Events

National Day Light-Up
From July 14, Orchard Road comes alive each night with millions of lights and lively decorations to mark the 25th anniversary celebrations.

National Day
August 9. Island-wide festivities to mark the birth of Singapore in 1965. A colorful parade and pageant will take place on the Padang, a huge cricket ground in front of City Hall. The 1990 parade will have a military accent, including a flyover by Singapore Armed Forces jets and helicopters.

Festival of the Hungry Ghosts
From August 20. Buddhists believe that the souls of the dead roam the earth during the seven lunar months. This festival is meant to appease them via offerings of food, paper money and joss sticks. Lavish Chinese opera productions will be staged at various markets and food centers.

25th Anniversary Show
August 25. A quarter century of nationhood will be marked by this spectacular laser and fireworks show at the National Stadium. Designed by the same people who organized the opening and closing ceremonies of the 1984 Los Angeles Olympics, this show will feature eight segments on the "culture, progress and determination" of Singapore.



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Jones Lang Wootton

SPORTS

Lofty Title? Big Money? Yes, but Calcavecchia Hasn't Changed

By Sally Jenkins

Washington Post Service

ST. ANDREWS, Scotland — As the holder of the 1989 British Open title, Mark Calcavecchia has added several numerals to his bank account, slapped an expensive watch on his wrist and stuck some silk wallpaper in his new house. But there is just so much cleaning up he will stand for, and nobody can pry the worn sneakers off his feet or straighten his slouching posture.

There is a part of Calcavecchia that still wants to dress in a beer cap and talk like a welder, vestiges of the guy who stayed in motel dives for five years while he bounced on and off the golf tour, from 1981 to 1985, before he finally established himself. His playoff victory at Royal Troon last year for his first major championship represented an incongruous marriage between the old and the new, a triumph for one of the sport's younger and rougher-necked loudmouths.

A year as a major champion has added lustre to his name, but no pretensions. "It hasn't changed me," he said. "It's changed a little bit of my life, but it hasn't changed me inside, or the way I dress on an airplane. I mean I wore my sneakers and my jeans and my shirt, I'm not going to put on a jacket and a tie just to fly over here."

"What it's done is bumped me up in the world of golf, and that's where I'm looking to go."

Calcavecchia, 30, is from West Palm Beach, Florida, and is cheerfully vulgar and immensely wealthy. The title lifted his fee for appearances into six figures and gave him a handful of lucrative contracts. He has not hesitated to spend freely, recently completing a \$2 million house in Phoenix.

The only things he has not acquired since the British Open of 1989 are a lofty new personality and another victory, with six frustrating second places this season.

Calcavecchia was leaning out of his hotel window at St. Andrews, where he will attempt to defend his title beginning on Thursday, when one of those loudmouth impulses struck him. As he watched a well-groomed cadre of Ben Crenshaw, Paul Azinger and Payne Stewart practicing on a green beneath him, what Calcavecchia wanted to do was hold his silver British Open trophy out the window and bellow down, "Hey, is this what you boys are after?"

He stopped himself just in time, saying it had been "a bad thought."

It was part of the same streak that caused him to appear at St. Andrews only Tuesday morning, casually late and jet-

lagged. The par-72 Old Course is said to require knowledge to score well, and Calcavecchia has shot exactly eight rounds on it in his life. That does not matter, however.

'What it's done is bumped me up in the world of golf, and that's where I'm looking to go.'

Mark Calcavecchia, 1989 British Open winner

to a player who thinks he could get around in even par with a baseball bat.

He is just mildly impressed by the place. "I sort of chuckled to myself and said, 'Hey, this is neat,'" he said. His stature as a defending champion has not imbued him with a gentlemanliness or made him any more interested in the exalted ancient lore of the game.

What he is really into is hitting those "murdered" drives and "real juicers" into

the greens. His 1989 title, coming from behind to win a playoff over Greg Norman and Wayne Grady, merely legitimized his status as a major player. He is also a popular, watchable one, routinely among the longest and most aggressive hitters on the tour who averages 272 yards (248 meters) off the tee and currently leads the U.S. PGA Tour in birdies.

When Calcavecchia added the prestige of a major champion to the natural charisma of his game, he was a prime candidate for every kind of endorsement. He immediately received an offer of \$125,000 to play an event in Japan. In the ensuing months he signed a deal worth \$400,000 to use eight Tommy Armour Clubs for three years and another short-term visor and watch agreement with Ebel. More recently, he received \$100,000 guarantees just to show up at the Irish and Dutch Opens.

The steady flow of money into his bank account has not ceased to amaze him. He told his wife, Sheryl, who caddies part time for him, "Who are we to say no?" But it has also given him some uncomfortable moments, like when he flew to the Irish Open knowing he wasn't playing well, just hoping to make the cut and not incur the wrath of organizers who paid such a large fee for his appearance. He finished second.

"I wouldn't pay me that kind of money," he said. "The fact that people pay me all this money just to show up and play golf is still a little beyond me."

The financial compensation has only in part made up for a vaguely unsatisfying year competitively. His six runner-up finishes all have come in different ways. At the Doral Open he bogeyed the 18th hole to lose to Greg Norman in an eventual playoff. At the Honda Classic he three-putted on the 16th hole to lose to John Huston by two strokes. He lost the Players Open to Jodie Mudd by a stroke. His most frustrating moment came at the Hartford Open, when, he said, "I flat blew it." He lost a two-stroke lead with two holes to go as he double bogeyed the 17th by hitting his approach shot into a lake.

The losses have been compounded by nagging physical problems, like a broken little toe, which he sustained by tripping in his new jacuzzi. He had to wear an open-toed shoe for a few weeks, then he partly dislocated his shoulder.

Finally, he is well again. So he arrived at St. Andrews with the conclusion that he is rich, healthy and largely happy. There is just one thing.

"I'd give back every cent to win it again," he said.



A cool Mark Calcavecchia munching a sandwich during practice.

Boxer Wins on Knockout, But Who Was the Loser?

The Associated Press

PENSACOLA, Florida — Roy Jones Jr., a 1988 Olympic silver medalist, thought that he had knocked out the Texas junior middleweight champion in the first round of a fight here. Now he doesn't know what to think.

Investigations began Tuesday into allegations that the boxer who Jones fought on Saturday was not the man he said he was.

Jones, in his ninth professional bout, scored a first-round knockout over someone who claimed to be Derwin Richards, the Texas junior middleweight champ.

"I was definitely not there," Richards, a security guard at a Houston correctional facility, said in an interview published in Tuesday's editions of the Pensacola News Journal. "I would like to fight Roy Jones, but that wasn't me fighting."

Richards' manager, Willie Savannah, confirmed that.

Stanley Levin, president of Square Ring Inc., a Pensacola company that promoted the fight, said he had turned over all records of the fight to a state prosecutor, Curtis Golden.

"I hope the people involved in this spend a long time in jail," Levin said, adding that the "young man" who fought Jones "could have really been hurt."

Golden said he was trying to determine whether there had been fraud involved and whether the fight violated the state's law on pugilistic exhibitions, including a provision that requires participants to be licensed by the state.

Jones knocked out the mystery opponent 2:02 into the first round. He entered the fight with an 8-0 record, all by knockouts.

At the Seoul Olympics, Jones lost on a controversial decision in the 156-pound (70-kilogram) gold medal bout to Park Si Hwa of South Korea. Jones was named the top fighter of the 1988 Olympics.



Bernhard Langer of West Germany shooting out of a bunker on Wednesday during a practice round on the Old Course at St. Andrews.

Playing St. Andrews: To Each His Own Way

Reuters

ST. ANDREWS, Scotland — The top golfers agree that the famous Old Course of St. Andrews is in fabulous shape for the start of the British Open on Thursday.

What they disagree on is how to play it.

"I have a tendency to play it right because it gives you a better shot to the green," said Greg Norman of Australia.

Seve Ballesteros of Spain, the champion here in 1984, disagreed. "It is probably the only course in the world where you have to play left," he said. "That's how I played the same way as I did in 1984."

Norman runs the greater risk of driving into trouble off the tee, but is willing to take that chance to get closer to the pin with his approach.

Ballesteros would rather ensure he misses the fairway bunkers, which can leave no chance of reaching the green. (See Scoreboard)

Tom Kite of the United States occupies the middle ground. "This is a forgiving course from the tee," he said. "You are given tremendous width. Any time you

give the top players in the world 80 yards to shoot at, they are going to hit it."

He was referring to the fact that, with the holes side by side, playing to the adjacent fairway would still afford a shot to the green.

Whatever the players' philosophy, their decisions will be largely dictated by the wind — if there is any — and by the pin positions.

A warm, windless weather front appears to have settled over St. Andrews in the last few days. And the pin positions are certain to be different — and tougher — than in practice rounds.

"They have a lot of scope for that," said Nick Faldo of Britain. "They can make them as tough as they like."

Added to that, the course is green after intermittent rain over the last month and a downpour on Sunday. But it is rapidly hardening up after three days of sunshine.

"The course is great, the best I have ever seen it," said Norman.

Ballesteros agreed. "It is in perfect condition, playing long," he said. "It is fine for me as it is now."

BOOKS

THE LEGACY OF CHERNOBYL

By Zhores A. Medvedev. 352 pages. \$24.95. W. W. Norton & Co., 500 Fifth Avenue, New York, N. Y. 10110.

Reviewed by Joseph S. Nye Jr.

SHORTLY after 1 A.M. on April 26, 1986, Leonid Toptunov, a young, tired and inexperienced reactor operator conducting a safety test, moved the control rods of Chernobyl Reactor No. 4 to only slightly below the correct position. Thirty-six seconds later, he pushed the special panic button for emergency shutdown of the reactor, but it was already too late.

Twenty seconds later, there was a steam explosion, followed by a hydrogen explosion that spewed out part of the reactor's red-hot contents and ignited a graphite fire that lasted for 10 days. A full meltdown of the core was barely averted.

Three weeks later, Toptunov died in great pain from the radiation. Fortunately, only about 5 percent of the reactor's total inventory of radioactive materials was released to the environment before the fire was extinguished. But the release was large enough to reach every country in the Northern Hemisphere.

In the Soviet Union, some 5,000 square kilometers (1,930 square miles) were rendered uninhabitable; 130,000

people had to be relocated, and while only 31 people died in the event and its immediate aftermath, some 600,000 people were significantly exposed to radiation. The word "Chernobyl" quickly became a global symbol of the most expensive and frightening accident in industrial history.

How could such an event occur? Zhores Medvedev, a renowned Soviet biologist, who has previously written about a secret 1957 disaster in the Soviet military's nuclear reprocessing program, does an excellent job of telling not only how, but why.

Although a 1987 trial found local operators and supervisors guilty of criminal negligence, Medvedev views the trial as an effort to shift blame away from larger issues and higher officials. In his view, the Chernobyl disaster was caused not just by an oversight of the plant managers, "but by the way in which nuclear energy is administered in the Soviet Union."

If one looks more deeply, the accident started in December 1983 when the reactor was certified without its full range of safety tests. According to Medvedev, "this kind of practice is not unusual in Soviet industrial construction. Everyone, including the government, is unhappy if the plan is registered as unfilled."

Reactor No. 4 was a new unit of a graphite-moderated type that was built without any straight containment structure (unlike American water-moderated reactors). It was nearing the end of its

first fuel cycle—a time when its core was most contaminated with radioactive fission products—when the operators attempted a safety experiment that should have been performed in 1983.

When the disaster occurred, the initial response accentuated the problem. Ill-equipped firemen, unprotected against radiation, poured water on the graphite. At those temperatures, the water quickly turned to hydrogen and oxygen, which fanned the flames. Bombing the reactor core with sand and clay trapped the heat within the remaining core and increased the threat of a second meltdown. Finally liquid nitrogen was pumped into the ground beneath the reactor to lower temperatures but it created a massive steam explosion.

Glasnost was in its infancy in 1986, and throughout the 10-day battle to contain the disaster, Soviet citizens were kept in the dark by their government. The world was notified by Swedish scientists who detected the arrival of the radioactive cloud on April 27.

The silver lining that Medvedev detects in the atomic cloud of Chernobyl is the greatly accelerated process of glasnost. Chernobyl was too big for the Soviet Union to hide.

Joseph S. Nye Jr., the director of the Center for Science and International Affairs at Harvard University, is the author of "Bound to Lead: The Changing Nature of American Power." He wrote this for The Washington Post.

BRIDGE

By Alan Truscott

TWO publishers on opposite sides of the Atlantic, Robert Hale in Britain and Dover in the U.S., provide a useful service by reprinting major works of bridge literature that have long been out of print. Two of these, each with a transatlantic author-publisher combination are worth noting. One of them is Robert Ewen's "Opening Leads," from Hale, surely the best book on this difficult subject. The other is Terence Reese's "Master Play," from Dover, which one reviewer called the "best bridge book ever written."

Reese's book, first published in England under the title "The Expert Game," includes the diagrammed deal from a par event. South reaches three hearts after East has overcalled in diamonds and a diamond is led.

South is in danger of losing four diamond tricks as well as the trump ace. If he can ruff one diamond he is safe. And East cannot afford to prevent this by playing ace and another trump. The defense has only one counter: After winning the first trick East must lead the heart five. This prepares the way for East to take the heart ace and three more diamond tricks, and there is nothing South can do.

Only about one competitor in 100 found this defense, which is worth noting: When dummy has two trumps, it will often pay the defender to underlead a doubleton ace.

NORTH (D)			
♠	AKJ10	♥	AK
♦	QJ4	♣	AKQ10
♠	AKQ10	♥	QJ98
♦	AKQ10	♣	AKQ10
♠	AKQ10	♥	QJ98
♦	AKQ10	♣	AKQ10
♠	AKQ10	♥	QJ98
♦	AKQ10	♣	AKQ10
♠	AKQ10	♥	QJ98
♦	AKQ10	♣	AKQ10
♠	AKQ10	♥	QJ98
♦	AKQ10	♣	AKQ10

Neither side was vulnerable. The bidding: North 1♠, East 1♥, South 2♥, North 3♥, East 3♠, South 4♥. West led the diamond two.

PEANUTS



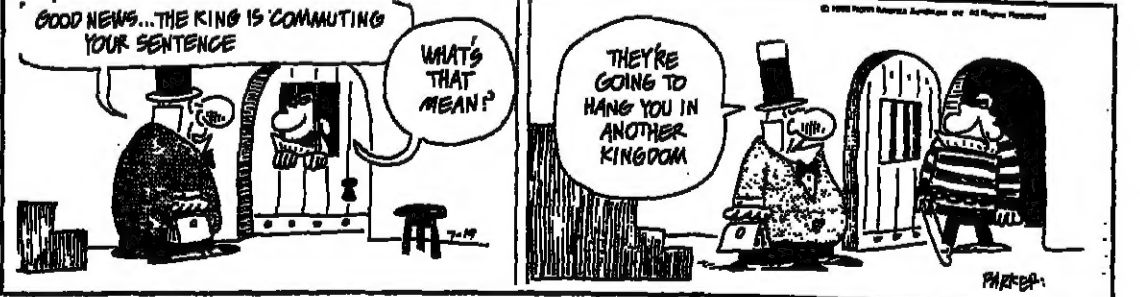
BEETLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



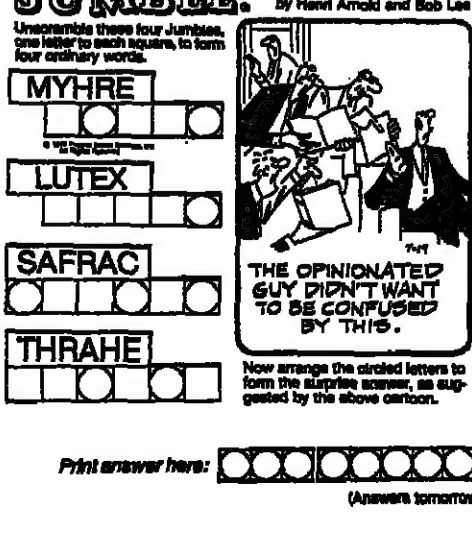
DOONESBURY



DENNIS THE MENACE



JUMBLE



BLONDIE



COME ON, GRANNY! IT'S ONLY A SHORTCUT IF YA HURRY!"

Yesterday's Jumble: NAVAL TASTY STIGMA RADIUS Answer: The reptiles use so full of syllables that it made one think of this—"MAST" TRANSIT

SPORTS

Despite 2 Triple Plays, Twins Fall to Red Sox on Run in 5th

The Associated Press
The Minnesota Twins became the first team in major league history to pull off two triple plays in one game, but that was not enough to overcome eight shutout innings by

BASEBALL ROUNDUP

Tom Bolton as the Red Sox beat the Twins, 1-0, in Boston.

"It's never happened in 120 years or whatever," said second baseman Jody Reed, who hit into the second one on Tuesday. "We were the first. It's like landing on the moon."

But at least the Red Sox landed on their feet.

The only run Boston needed came in the fifth inning off Scott Erickson when rookie Tim Lincecum singled home Mike Greenwell.

"With those triple plays, it was like somebody doesn't want you to win the ballgame," Naching said.

Bolton apparently wasn't paying much attention, though. He allowed five hits, struck out six and walked four in eight innings.

Former Twin Tom Brunansky hit into the first triple play with the bases loaded in the fourth. Reed's came with runners on first and second in the eighth.

Both were on grounders to third baseman Gary Gaetti near the bag. Both times he stepped on the base and threw to second baseman Al Newman for the force. Newman relayed to Keni Hrbek, getting both Brunansky and Reed by at least a full stride.

Royals 10, Yankees 7: In New York, Bo Jackson hit three homers and drove in seven runs to lead Kansas City. He never got an opportunity to tie the major-league record of four in one game. He left in the sixth after injuring his shoulder trying to make a diving catch.

Mariners 7, Blue Jays 5: Edgar Martinez doubled home Alvin De-

vis from first base to break a tie in the eighth in Seattle.

Indians 4, Athletics 2: Cory Snyder doubled to lead off the seventh in Oakland, California, and scored on Jerry Browne's sacrifice fly to break a tie.

Orioles 5, Rangers 3: Pete Harnisch retired 22 consecutive batters after a shaky start in Baltimore to earn his first victory in nearly a month. Harnisch allowed three runs, four hits and struck out eight in eight innings.

Joe Orsulak hit a three-run homer for the Orioles.

White Sox 7, Tigers 3: In Detroit, Dan Pasqua's two-run homer capped a three-run sixth inning for Chicago.

Madison Pava had a difficult start against the Tigers, giving up three runs on four hits, then allowed just one more in the next six innings.

Angels 8, Brewers 1: Dante Bichette's three-run homer capped a four-run fifth in California. Kirk McCaskill allowed four hits and survived three errors in seven innings.

Reds 6, Expos 2: In a National League game in Cincinnati, Scott

Snyder struck out a career-high nine in an unexpected start when Danny Jackson couldn't get his shoulder loose in the bullpen before the game.

Cardinals 3, Dodgers 0: Bryn Smith won his first game in six weeks and Pedro Guerrero had two doubles and two RBI in St. Louis.

Braves 14, Phillies 10: Jim Presley hit two of the Braves' four home runs in Atlanta and Ron Gant and Francisco Cabrera each added two-run homers. Both teams had 15 hits.

Giants 6, Pirates 3: In Pittsburgh, Matt Williams hit a tie-breaking grand slam in the sixth and Don Robinson pitched eight strong innings for the Giants, striking out four and walking one.

Cubs 7, Padres 2: Shawn Boskie allowed six hits in 6½ innings and capped a six-run fifth inning with a two-run double in Chicago.

Mets 6, Astros 2: In Houston, Dwight Gooden won his seventh straight start and Kevin McReynolds went four-for-four for the Mets. Gooden gave up seven hits, struck out 10 and walked three over 7½ innings.

Steinbrenner Paid Gambler Out of Fear, Newspaper Reports

The Associated Press

NEW YORK — George Steinbrenner reportedly found an unsympathetic audience when he told the commissioner of baseball, Fay Vincent, why he had paid \$40,000 to gambler Howard Spira.

The National, quoting from the transcript of Steinbrenner's two-day hearing with Vincent on July 5-6, said the principal owner of the New York Yankees told Vincent he made the payment because he feared Spira would harm him or his family.

The U.S. sports daily reported in its Tuesday edition that Stein-

brenner also feared that Spira would reveal information about two employees who stole from the team and about the gambling habits of Lou Piniella, the former Yankee player, manager and general manager, who now manages the Cincinnati Reds.

But Vincent, the paper said, was not interested in Steinbrenner's reasons.

"It doesn't really matter," Vincent said. "The real issue is what did you do. Why did you do it?"

The newspaper also said Steinbrenner wrote a letter to the com-

missioner after the hearings, acknowledging that, "in hindsight, I used poor judgment in giving Spira the \$40,000."

But he reportedly added: "I do not believe it is fair to judge me in hindsight. I do not believe my actions were contrary to the best interests of baseball."

He concluded his letter by urging Vincent not to consider his suspension of 16 years ago in making his decision and offered to pay "whatever part of the investigation's costs you deem appropriate."

Vincent said Wednesday that he was not investigating Piniella.

"We looked into it and there's nothing to it," Vincent said.

The commissioner later issued a statement clearing the Cincinnati Reds' manager.

"Regrettably, the release of Mr. Steinbrenner's testimony without my approval or prior knowledge has caused the disclosure of the names of people who are not involved in my investigation," Vincent said. "Lou Piniella's name was raised by Mr. Steinbrenner. John Dowd subsequently interviewed

Mr. Piniella, who cooperated fully. I am satisfied that Lou Piniella did not engage in any activity warranting further attention from my office. I regret that the public disclosure of this testimony had unfairly implicated Mr. Piniella into this affair. Mr. Piniella is in good standing with me and my office."

The National said Vincent also noted that Steinbrenner accepted theft by two of his employees without going to the authorities or the commissioner's office, while attacking the former Yankee outfielder Dave Winfield and the Win-

field Foundation for much lesser transgressions.

Vincent, vacationing in Cape Cod, Massachusetts, said Tuesday that he was reviewing legal papers submitted a day earlier by Steinbrenner's legal team. He said he would continue his deliberations on possible penalties against Steinbrenner for the rest of the week and did not know how long it will take him to reach a decision, but hoped to have one in about two weeks.

Piniella downplayed the inclusion of his name and purported gambling habits.

"I talked to George earlier about this, about it coming up that I go to horse tracks," Piniella told The National. "I've gone to tracks before. It has always been a source of relaxation for me."

The Yankee employees Steinbrenner referred to are Pat Kelly, longtime Yankee Stadium manager, and David Weidner, the former controller and chief financial officer of the club. Steinbrenner testified that both took various give-away items, "great bulks of them, and selling them to this fellow or giving them to him."

Steinbrenner dismissed both without informing the commissioner's office, which shocked Vincent.

Steinbrenner was convinced that the Winfield Foundation was rife with improprieties. During the testimony, he mentioned a conversation in which the commissioner at the time, Peter Ueberroth, said he "wouldn't touch the Winfield Foundation with a 10-foot pole."

Spira, a former Winfield Foundation employee, promised to gather information on Winfield and the foundation, which led to the \$40,000 payment.

Steinbrenner told Vincent during the hearing that he had been so fearful for his family that he considered applying for a gun permit.

"He scared me and he really scared my children," Steinbrenner said of Spira.

Spira's lawyer, David S. Greenfield, said Steinbrenner's account was unbelievable.

"This guy changes the story about what happened more often than he changes managers," Greenfield said Wednesday. "As far as the story about his family being threatened, that's just another flag put up by Steinbrenner. This flag won't fly, just as no flag has flown over the stadium in the last 13 years."

Rose Faces Sentencing In Tax Case

By Murray Chass

NEW YORK — Having been banished from baseball for the rest of his life, Pete Rose was to learn Thursday if he would have to spend part of that life in prison.

Rose, whose baseball penalty was determined 11 months ago, is scheduled to appear before Judge S. Arthur Spiegel of U.S. District Court in Cincinnati for sentencing on two counts of filing false income tax returns.

Federal sentencing guidelines indicate that Spiegel will send him to prison, perhaps for eight to 14 months. The judge, however, has leeway under the guidelines to sentence Rose to a longer sentence or even to no more than probation.

One of baseball's most colorful all-time heroes, Rose pleaded guilty to the charges on April 20 in an arrangement with the U.S. attorney's office.

Seldom injured as a player, Rose will appear before Spiegel on crutches. He suffered torn cartilage in his right knee on Sunday when he fell while playing with some children at a reunion of his wife's family in Indiana. He is scheduled to have surgery on the knee on Friday.

A federal investigation that coincided with the baseball inquiry into Rose's gambling activities uncovered information that Rose failed to report income totaling \$354,967.60 in the years 1984-87. He derived the income, the government said, from personal appearances, card shows and the sale of memorabilia.

The tax bill on that total was \$162,703.15. That is the key figure as far as the federal sentencing guidelines are concerned.

One law enforcement official who refused to be identified said: "Spiegel has the reputation for hammering white-collar criminals. He looks more harshly at people who should know better. He has bled them badly."

The official also said he did not think Spiegel would be influenced by Rose's celebrity status.

Under the plea-bargaining arrangement, Rose pleaded guilty to filing false returns for 1985 and 1987.

Team Rallies, Saving the Day for LeMond

By Samuel Abt

International Herald Tribune

PAU, France — For 20 of the 3412 kilometers the Tour de France will cover, Greg LeMond lost control of the race Wednesday. Then he and his fellow 21 riders rallied to prove the adage that professional bicycle racing is an individual sport practiced by teams.

How LeMond managed to save the day, and probably his second successive victory in the world's greatest bicycle race, illustrates the superb teamwork that has surrounded the American. He earned that cooperation.

When he found himself trailing a teammate, Ronan Penec, by 10 minutes only a week ago, LeMond played a team game. Subordinating his personal ambitions and his role as team leader, he gained widespread respect by riding on Penec's behalf.

Now his usefulness is being repaid. At the end of the day, LeMond was still second overall, five seconds behind the leader. Because his team labored so hard for him in the Pyrenees, LeMond was able to make up the lost 20 kilometers and finish in the same time Wednesday as the other leaders.

They were all 5 minutes, 31 seconds, behind the winner, Dimitri Konichev, a Russian with the Alfa Lum team. It was the first stage victory ever by a Soviet rider; this is the first Tour in which Soviet cyclists have competed.

Konichev came into Pau one second ahead of Johan Bruyneel, a Belgian with Lotto. Third, 11 seconds back after a muggy day in the mountains, was Steve Bauer, a Canadian with 7-Eleven. None of the riders ahead of the leaders is a contender for the final victory.

LeMond is sounding extremely confident that the victory will be his when the three-week race ends in Paris on Sunday.

Speaking of Saturday's time trial, or race against the clock, that is expected to be the showdown, the American said of himself and the leader, Claudio Chiappucci: "If I lose, I'm

going to have a very, very bad day and he's going to have the best day of his life."

Both nearly took place Wednesday. LeMond's scare occurred when the rear tire on his bicycle punctured at kilometer 77 of the 150-kilometer (93-mile) race over two mountains between Lourdes and Pau. Before he could get going again he had lost 1:06 to Chiappucci.

Then Eric Boyer and Jerome Simon of Z caught up to LeMond after a team mechanic replaced the wheel. Far ahead in a breakaway, two other Z riders, Gilbert Duclos-Lassalle and Aude Kvaloy, were told by their team manager to stop and wait for LeMond.

When he reached them, the five-man group stormed up the final kilometer of a climb and down the other side of the Marie Blanche peak, 1,035 meters (3,395 feet) high.

Taking turns at the front to set a faster pace than one man could do alone and letting each other draft in the slipstream and save energy, the chasers caught Chiappucci in about 25 minutes.

From there on, there was no trouble. The mountains are past now, and only two days on the flat precede the time trial, an exercise at which LeMond is by far Chiappucci's master.

LeMond will not have to worry about teamwork in the time trial since riders start alone. It was in the mountains where he benefited and where he gave.

On the climb to Alpe d'Huez a week ago, for example, when he finished second and Penec was far behind, LeMond would not work with a leading group to improve his finishing time.

He gained back only 48 seconds of the 10 by which he trailed. He easily might have made up minutes, at the cost of helping Penec's opponents gain that time too.

"Greg played the game by the rules," said his team manager, Roger Legeay. "He proved he's a team player."

The French press and public hailed him, a leader making \$1.5 million this year, for protecting a French teammate making a third of that who is not in LeMond's class but was

wearing the yellow jersey. Other riders and managers agreed.

"Greg worked for me and now it's my turn to work for him," said Penec, now in 10th place. "That's how a good team does it."

Bauer, a friend and former teammate of LeMond's, seconded the consensus with a bite. "You have to play the game and Greg played it well, I think," he said. "Of course, not everybody does play by the rules, as Greg knows."

That was an allusion to the 1986 Tour de France, when LeMond's teammate, Bernard Hinault, reneged on a public promise to help LeMond and attacked him nearly the entire duration of the Tour.

LeMond won that race, with Hinault, who was seeking his sixth Tour victory, second. He retired that year and LeMond has barely spoken since to the Frenchman, who was once his mentor and idol.

Team morale is no problem with Z this year, according to LeMond. "I have a magnificent team and I owe a lot to them," he said after Tuesday's mountain stage to Luz Ardiden, where he was strongly supported as he made up more than two minutes on Chiappucci.

As he sat in the Z team trailer, awaiting the start of the first stage in the Pyrenees, LeMond insisted that he had not protected Penec simply out of jealousy.

"No," he insisted, "it's tactics. I know what the Tour de France is and I had the underlying hope that it would disintegrate. One of my better qualities is that I'm very patient and I like to wait things out."

Did he have any mixed emotions at the possibility that he had imperiled his third Tour victory in five years?

"No, no, no, no, no," he said. "I would never play the same game Hinault did. We're a team for three years together and I know that if I want to be able to live with Ronan, we've got to work together."

"Besides," LeMond concluded, "for me it worked out fine."



A triumphant Dimitri Konichev after his victory Wednesday. He became the first Soviet rider to win a Tour de France stage.

SCOREBOARD

BASEBALL

Major League Standings

AMERICAN LEAGUE

Team	W	L	Pct.	GB
Boston	48	30	.615	0
Toronto	47	32	.594	1
Cleveland	44	34	.562	4
Detroit	42	38	.525	8
Baltimore	42	38	.525	8
Minnesota	39	45	.463	16
New York	31	55	.360	26

West Division

Team	W	L	Pct.	GB
Oakland	56	29	.659	0
Chicago	52	32	.617	4
Seattle	48	36	.569	8
California	45	40	.531	11
Minnesota	43	42	.506	13
Texas	43	42	.506	13
Kansas City	38	48	.441	19

NATIONAL LEAGUE

Team	W	L	Pct.	GB
Pittsburgh	52	30	.635	0
New York	50	32	.610	2
Atlanta	50	32	.610	2
Philadelphia	42	40	.515	9
Chicago	39	43	.475	12
St. Louis	37	45	.451	14

West Division

Team	W	L	Pct.	GB
Cincinnati	55	27	.673	0
San Francisco	50	32	.610	5
Los Angeles	48	34	.585	7
San Diego	48	34	.585	7
Atlanta	43	41	.512	12
Houston	35	51	.405	20

Tuesday's Line Scores

AMERICAN LEAGUE

Team	W	L	Pct.	GB
Cleveland	200	110	.645	11
Oakland	200	110	.645	11
Seattle	200	110	.645	11
Minnesota	200	110	.645	11
Philadelphia	200	110	.645	11
Chicago	200	110	.645	11
St. Louis	200	110	.645	11

West Division

Team	W	L	Pct.	GB
Cincinnati	200	110	.645	11
San Francisco	200	110	.645	11
Los Angeles	200	110	.645	11
San Diego	200	110	.645	11
Atlanta	200	110	.645	11
Houston	200	110	.645	11

JAPANESE LEAGUES

Central League

Team	W	L	Pct.	GB
Yomiuri	35	25	.583	0
Tokyo	35	25	.583	0
Hiroshima	34	26	.567	1
Chunichi	34	26	.567	1
Yokohama	34	26	.567	1
Hanshin	34	26	.567	1

Pacific League

Team	W	L	Pct.	GB
Seibu	48	21	.693	0
Orion	39	31	.557	9
Kiushu	38	32	.543	10
Wanpan	37	33	.527	11
Lotte	37	33	.527	11
Hankyu	37	33	.527	11

NATIONAL LEAGUE

Team	W	L	Pct.	GB
San Diego	50	30	.625	0
Brewers	48	32	.600	2
Reds	48	32	.600	2
Mariners	48	32	.600	2
Padres	48	32	.600	2
Giants	48	32	.600	2

West Division

Team	W	L	Pct.	GB
Cincinnati	55	27	.673	0
San Francisco	50	32	.610	5
Los Angeles	48	34	.585	7
San Diego	48	34	.585	7
Atlanta	43	41	.512	12
Houston	35	51	.405	20

GOLF

British Open

Player	Score	Par
Greg LeMond	278	-10
Dimitri Konichev	280	-8
Johan Bruyneel	282	-6
Steve Bauer	284	-4
Claudio Chiappucci	286	-2

State-by-state description of the Old Course

State	Score	Par
California	278	-10
Florida	280	-8
Illinois	282	-6
Michigan	284	-4
Minnesota	286	-2

NATIONAL LEAGUE

Team	W	L	Pct.	GB
San Diego	50	30	.625	0
Brewers	48	32	.600	2
Reds	48	32	.600	2
Mariners	48	32	.600	2
Padres	48	32	.600	2
Giants	48	32	.600	2

West Division

wildcat Burn as possible, leaving a wedge shot on to the green, which is very fast and slopes towards the burr. Care is needed not to wedge backspin, or the ball rolls into the water.

11th. 2-477 yards, par 4 — Dyke. Bold players are right to have a good chance of being near

